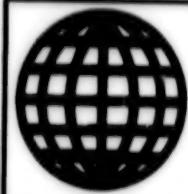


JPRS-UIA-90-008
17 MAY 1990



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International Affairs

Soviet Union International Affairs

JPRS-UIA-90-008

CONTENTS

17 May 1990

WORLDWIDE TOPICS

Estonian MFA Charts More Independent Course	1
Training Own Diplomats /O. Ivanova; <i>MOLODEZH ESTONII</i> , 3 Apr 90/	1
Represented in Helsinki Embassy /V. Shmyganovskiy; <i>IZVESTIYA</i> , 18 Apr 90/	2
Soviet UN Expenditures Questioned /A. Rudenko; <i>PRAVDA</i> , 22 Apr 90/	3

EAST-WEST RELATIONS

United Germany in NATO Termed 'Realistic' /M. Bezrukov, A. Kortunov; <i>NEW TIMES</i> No 15, 10-16 Apr 90/	4
---	---

THIRD WORLD ISSUES

Asia, Africa Urged To Help End Nuclear Proliferation /A. Prokhozhev; <i>AZIYA I AFRIKA SEGODNYA</i> No 3, Mar 90/	6
Third World Economic Recessions Analyzed /N. Z. Volchek; <i>NARODY AZII I AFRIKI</i> No 1, Jan-Feb 90	8

GENERAL ECONOMIC AFFAIRS

Customs Official Describes Challenges, Goals /L. A. Lozbenko; <i>EKONOMIKA I ZHIZN</i> No 14, Apr 90/	16
Utility of Barter Deals With Foreign Firms Questioned /K. Petrova; <i>PRAVITELSTVENNYY VESTNIK</i> No 12, Mar 90/	17
Results of Initial Currency Auctions Assessed /M. Yershov; <i>EKONOMIKA I ZHIZN</i> No 14, Apr 90/	21
Pepsico Chief on Trade Deal With USSR /D. Kendall; <i>IZVESTIYA</i> , 12 Apr 90/	22

WEST EUROPE

Soviets Polled on German Unification / <i>ARGUMENTY I FAKTY</i> , 21-27 Apr 90/	24
---	----

EAST EUROPE

Yugoslav Editor on East Europe, Germany, SFRY /R. Petkovic; <i>PRAVDA</i> , 12 Apr 90/	26
CSSR Ambassador on Soviet Ties, Situation at Home /R. Slanskiy; <i>IZVESTIYA</i> 13 Apr 90/	27
King Simeon Ponders Return to Bulgaria /V. Khrustalev; <i>RABOCHAYA TRIBUNA</i> , 11 Apr 90/	29
Slovenian Separatism Examined /A. Poroshin; <i>TRUD</i> , 24 Apr 90/	30

LATIN AMERICA

Soviet-Latin American Relations Examined /N. G. Zaytsev; <i>LATINSKAYA AMERIKA</i> No 1, Jan 90/	32
Contras' Reluctant Demobilization, Treaty Violations Assailed /V. Listov; <i>PRAVDA</i> , 20 Apr 90/	38

CHINA, EAST ASIA

Correspondent Describes Visit to China, Status of Reforms /Yu. Kornilov; <i>SOVETSKAYA ROSSIYA</i> , 17, 18 Apr 90/	40
PRC's Need for Economic, Political Stability Discussed /S. Kulik; <i>RABOCHAYA TRIBUNA</i> , 24, 25 Apr 90/	44
Obstacles to Soviet-Chinese Border Trade Seen /N. Belyy; <i>RABOCHAYA TRIBUNA</i> , 17 Apr 90/	47
Prospects for Improving Soviet-Chinese Trade Relations /Yu. Savenkov; <i>IZVESTIYA</i> , 22 Apr 90/	49

NEAR EAST & SOUTH ASIA

Afghan Revolution's Twelfth Anniversary Marked, Status Assessed /A. Pravov; <i>SOVETSKAYA ROSSIYA</i> , 27 Apr 90/	52
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Estonian MFA Charts More Independent Course

Training Own Diplomats

90UF0091A Tallinn MOLODEZH ESTONII
in Russian 3 Apr 90 p 2

[Article by O. Ivanova: "Going to School After College: Who Will Be the First Ambassador?"]

[Text] This year training of diplomatic cadres has begun in the republic for the first time in its entire history.

The announcement of recruitment for courses under the Estonian SSR Ministry of Foreign Affairs appeared in the republic press on New Year's Eve day. At approximately the same time as the radio correspondent of Radio Liberty in Estonia Sander Siss gave a humorous prediction that by St. John the Baptist's Day [June 24] of this year Yevgeniy Kogan would be appointed Extraordinary and Plenipotentiary Ambassador of the USSR in Tallinn and Edgar Savisaar, correspondingly, ambassador in Moscow. The hint was read unambiguously. Events, however, develop in their own proper time, and no one questions Estonia's desire to be a sovereign subject of international law; but one new item was recently added to the collection of rules of good form among our political experts: no arguments about the time. But they are arguing about individuals even more often. And about the assertion that finally the time of professionals has come.

"The republic's contacts with foreign countries are being expanded many times over," asserts Toyvo Kuldasepp, the deputy minister of foreign affairs. "They are becoming part of everyday life: hundreds of our fellows are studying and working abroad and up to a thousand foreigners visit Estonia every day. Business relations will become stronger. Estonia is trying to formulate and affirm a concept of its own place in the international arena. In this connection the Estonian SSR Ministry of Foreign Affairs is finally beginning to play a more significant and, I would say, worthy role than before. While only 6 months ago the MID [Ministry of Foreign Affairs] had 10 associates, now it has 25. It will continue to grow. Moreover, specialists in foreign economic and trade relations are needed now not only in the ministries but right at the enterprises as well. The need for cadres who have mastered diplomatic protocol is not only on the governmental level but also on the city and even rayon level. But only a few places a year continue to be reserved in the country's diplomatic educational institutions for our republic. No more than a dozen people from Estonia are working in Soviet embassies and offices abroad. This is clearly inadequate for the direct dialogue with the West which we have begun. Therefore, the idea of courses under the Ministry of Foreign Affairs is not a useless one. Recently a new position of chief specialist in diplomatic cadres appeared in the ministry staff, and under the leadership of Mati Lukas training of a new generation of Estonian diplomats has already begun.

"Professional training of diplomats has never before been done in Estonia. Despite that, in the late 1930s the republic had its own representatives in 49 countries. The solution to the situation was simple: people with legal, liberal arts, or economic education were adapted to diplomatic work. The organizers of the present courses under the Estonian SSR MID decided to follow the same path by inviting young people up to 35 years of age who already had higher education and knew foreign languages to participate in the courses.

"Reputable higher educational institutions would most likely envy the influx of people who wanted to try their strength—there were more than 10 applicants per place. But the first round—an essay on the theme 'Estonia in the world, the world in Estonia,' a system of tests, translation into a foreign language—quickly relieved the tension. Of almost 300 applicants hoping for an interview, only 62 were invited. And of them 25 of the very best managed to "reserve" their right to start classes as part of the main group on 16 February. But along with them sat another five people in reserve and four auditors at the desks of the Estonian Institute of Managers of the Economy, where the training was organized by agreement with MID and on capital allocated by the Government of Estonia. As conceived by the organizers of the courses, the permanent two-phased internal competition should have the disciplining effect of an 'unemployment line at the door.' Perhaps such incentive is no problem, for the form of training is by correspondence. Approximately once a month, as a rule on days off, the students gather from throughout the republic for a session, which, unlike in VUZ classes, is not for exams but simply for learning. Most of the lectures are recorded on videotape, and they can be watched at any convenient time. The main work is at home and is checked by a competency commission four times a year. The open competition announced through the newspaper will be repeated next year and then, perhaps, we will already be able to speak of a small republic diplomats' school, the first of its kind in the country."

"In preparing the program," Mati Lukas tells, "we had a clear picture of how training of diplomats goes in our country, in Finland, and in Austria. We understood that in choosing our own variant we must orient ourselves toward small states such as Sweden and Luxembourg. We decided to reject the task of giving solid language training, which takes up 60 percent of study time for students of MGIMO [Moscow State Institute of International Relations] and the diplomatic academy in Moscow. The focus of attention is the history of Estonia and its neighboring states, the situation in the world, international law, the cultural legacy, and diplomatic protocol. Starting from a basic education, the students will have the opportunity to specialize in diplomatic relations, foreign economic relations, or cultural exchange. There are three working languages during instruction: Estonian, Russian, and English. This is the only way to avoid an altogether understandable teacher shortage, by inviting specialists not only from the

republic but also from Moscow and foreign countries. Yuri Uibopuu, professor of political science at Salzburg University (Austria), Toyvo Mil, professor from Canada, Elizabeth Uzovich, professor at Bentley College (England), and others have already been guests of the courses. People who came to Estonia on altogether different matters do not refuse to give lectures for us. We hope that we can organize special courses for our students abroad."

The first graduation of diplomats will take place in the republic in 2 years.

In the photographs: The day we were at the courses Fumio Uda, a professor from Tokyo, lectured on the structure and role of Japan's Ministry of Foreign Affairs. Experience in diplomatic work in Moscow allowed him to talk with the audience in beautiful Russian. (Photos by D. Pranets)

Represented in Helsinki Embassy

90UF0091B Moscow *IZVESTIYA* in Russian 18 Apr 90 Morning p 7

[Article by V. Shmyganovskiy: "A Diplomat Represents a Union Republic"]

[Text] A new post, counselor and representative of the Estonian SSR MID, appeared at the USSR Embassy in Finland.

"I am starting 'from scratch' in work which in time will apparently become ordinary in diplomatic practice," believes Iokhannes Iokhanson, who was appointed to that post. "In any case, the USSR MID intends to promote that. A representative of the Union republics will appear in those countries which border or have close ethnic ties, such as exist between Finland and Estonia, for example. There may be a diplomat for the Azerbaijani MID in the USSR embassy in Iran, from Tajikistan in Afghanistan, from Kazakhstan in China, and the like. The question of the feasibility of such an innovation was discussed at the CPSU Central Committee Plenum on International Relations as well.

"To put it briefly, my tasks are to protect the rights of my fellow citizens who are in Suomi [Finland] in ever-increasing numbers, including those that have come for temporary work," continues I. Iokhanson. The USSR MID approved our republic's request on the need for special regulation of relations between Estonia and Finland in the areas of politics, economics, and culture, taking into account that the relations of the two peoples are constantly expanding.

"It has been calculated that business trips from Tallinn to Helsinki alone increased 20-fold in a year. I am not even speaking of tourists and those coming by invitation. Many of these people have temporary jobs, frequently 'underground.' They receive substantially less than the Finns and are still satisfied with their earnings in hard currency.

"In light of that, alas, the country's laws are frequently violated. Both the employers and the employees themselves can be called to account for working without permission. It has not reached court yet, however. Large numbers of laborers are needed because of Finland's 'overheated' economy. Therefore, the authorities are liberal-minded. Not only Estonians but, as I was told, Russians from Leningrad Oblast find jobs by fair means or foul here."

The newspaper HELSINKI SANOMAT writes that more foreigners than ever before are working in the country now. A particularly large number of them come from the USSR, Poland, and Bulgaria. The number of visas given to Soviet citizens doubled last year. "Hirees" settle for the most part in construction, metal processing, hotel service, restaurants, and agriculture and they are involved in cleaning streets and interiors of buildings. Unlike 'gastarbeiter' in the countries of Western Europe, these people spend everything locally.

In all foreigners have been granted 10,000 work permits in Finland; that is twice as many as in the peak years in the past.

"So one of my first tasks," says I. Iokhanson, "is to put this process on a legal basis as a result of consultations with the labor ministry in Finland. We are also speaking of economic laws."

The diplomat continues, "Although there is no objection in our republic to finding a temporary job in another country, the ministry of social security made the decision that transients must now have officially concluded contracts with those providing the jobs. These contracts must get the permission of Finland's Ministry of Labor and the trade unions. First of all this is focused on protecting the interests of our own citizens. It is true, as we heard, that bureaucrats 'generate red tape' and create a mass of obstacles against leaving to make money and the like. But there is no other way. The Finnish authorities for now are shutting their eyes to all the violations, but sooner or later the law will have its say. We must not allow the matter to reach a conflict."

"When foreigners are hired for work in Finland Estonians are given preference because of the language connection. But even they cannot learn Finnish to an adequate degree in less than a year."

"The influx of guests, in particular from Estonia, has already resulted in many negative consequences, in the opinion of the Finnish press. Even the higher crime rate is related to it in Finland. The number of transient prostitutes has increased sharply. They are frequently accompanied by pimps. And while prostitution is not punishable by law in Finland, being a pimp is criminally punishable here. The Finnish police are compelled to strengthen ties with their Tallinn colleagues."

The new counselor asked that he be moved to the area of the consulate, with whose work, by the way, he has no relationship. The point is that for two hours a day the

doors of the consulate are open to Finns and foreigners and, of course, to Soviet people. It would be easier to talk to his fellow citizens arriving in the country there.

Soviet UN Expenditures Questioned

90UF0110A Moscow PRAVDA in Russian, 22 Apr 90
Second Edition p 5

[Article by A. Rudenko: "How Much Does the UN Cost?"]

[Text] **"Isn't the Soviet Union paying too much for membership in the United Nations?"...V. BADAYEV, Moscow**

"The annual dues of the UN member states are established by a special Committee on Dues, which is located in New York in the staff headquarters of this organization's secretariat," explains the director of the UN Information Center in Moscow, G. Dneprovskiy. "The basis for the computation is the country's national income, from which an approximately equal percent is deducted. Aside from the amount of the national income, the country's population and a series of other factors are also taken into consideration, so heated arguments often arise at the meetings of the Committee on Dues.

The United States of America makes the greatest contribution—in recent years equal to one-fourth the entire UN budget. It is followed by the Soviet Union (with the Ukraine and Belorussia) and Japan, paying approximately 11 percent each, the FRG—8 percent, Great Britain—around 5 percent, Italy—4 percent, and Canada—3 percent. On the whole, 17 countries pay dues exceeding one percent of the UN annual budget, and it is they who bear the primary financial burden for its support.

In 1989 the USSR's (with the UkrSSR and BSSR) contribution to the regular UN budget comprised \$82 million. Moreover, considerable sums were contributed to the funds of UN specialized institutions and specialized programs, which are formulated on different principles, and often on a voluntary basis. For example, in 1988 our country contributed \$38 million for the realization of the program for stationing temporary UN forces in Lebanon, \$29.6 million to the World Health Organization budget, \$25 million to the UNESCO budget, \$14 million to the International Agency for Atomic Energy and so forth.

Perhaps these figures might seem significant to some. However, I would like to remind you that the capital (and not only political) which our country receives from participation in this most authoritative international organization can hardly be measured in rubles or dollars.

United Germany in NATO Temed 'Realistic'

18120048A Moscow NEW TIMES in English No 15,
10-16 Apr 90 pp 18-19

[Article by Mikhail Bezrukov, Andrei Kortunov]

[Text]Who will answer its questions?

In the first years of perestroika the dominating opinion in the Soviet Union was that the process of reforms in the East would outpace the defreezing of unsolved international problems left over from the cold war time, and would almost automatically put an end to all disputes which emerged in the past decades. As for the West, it was somewhat used to lack of motion in the issue and few people there believed that the "iron curtain" would so quickly break.

Politicians, experts and public figures in the Soviet Union and other countries are wrecking their brain trying to answer two principle questions: is the unification of the two German states dangerous for their neighbors and the international stability and what policy should different nations pursue?

Fears and Habits

In the Soviet Union these questions bring back to mind the years of the Second World War, which, according to the latest official data, cost this country 26 million lives. And the aggressiveness of Germany under Hitler, and under Kaiser too, determines the present attitude to the possible merger of Federal Germany and the German Democratic Republic. Such stereotypes like "Germany's striving for expanding its Lebensraum" and "German revanchism" are still alive, despite the obvious improbability nowadays of any German invasion of West or Central Europe, or a German attack against the Soviet Union with its vast nuclear potential. Those who believe that "Germans should not be trusted and that a powerful Germany is always dangerous" are supported in their fears, incidentally, by the Soviet mass media which tell of the revival of neo-Nazi sentiments in the G.D.R. and the F.R.G. and of recurring anti-Soviet actions.

One cannot but admit that though in the past five years the discussion in the Soviet Union on foreign policy issues has not completely got rid of ideological dogmas, at least many of them ceased to be practical guiding points. At present the organizers of "theological" disputes are looking for support among the ill-informed public. At the same time it proved to be much easier to cross out the former "taboos" than get rid of their influence. We are too much used to our role of the dominant force on the international arena (that is what we were taught) and to the assumption that the world should adapt itself to us and not the other way round. Our mentality finds it hard to get used to the need to adjust our plans and wishes, stemming from the country's internal development, to the objective processes evolving beyond our boundaries.

The above-mentioned fully concerns the "German question." Of course, it would only be wonderful if the two

German states start their convergence on such conditions and according to a schedule which would duly take into account all the difficulties and problems now faced by the Soviet Union. Many people justly regard the situation in the G.D.R. and F.R.G. as a factor complicating still more the tasks of the Soviet leadership. The Germans' "lack of restraint" looks especially disappointing against those troubles with which the new is finding way in the Soviet Union. Are we not the great power which defeated the German Nazism and ever since held the key to the "German question"? Does our military might mean nothing now? Let's be honest with ourselves. The present crisis in our society resulted from our own past. We have no right to hope that the world will stand and wait till we pay all our debts. It has its own logic of development. The Soviet Union can expect to be met halfway, but everything has a limit. After all, one must remember that politics is the art of possible!

A Close Relation

One must also keep in mind that the "German question" in its present form is a close relation of our perestroika.

The appearance of the G.D.R. on the political map was the result of transferring of the then Soviet pattern to the German soil. The German nation was divided not only territorially, but also ideologically. The "choice" of East Germany resulted in problems, familiar to Soviet people, though we must admit that in self-destruction we left most of our East European allies far behind. The unnatural development of the G.D.R. was especially obvious when compared to what was going on the other side of its western border which divided the once single Germany. If the F.R.G. rather quickly turned into a "locomotive" of the European and world development, perfectly corresponding to the objective tendencies, the difficulties experienced by the G.D.R. became more and more pronounced with every year. Every new uprise was harder to achieve. And more and more often the G.D.R. had to turn to West Germany for help.

The events of 1989 in the G.D.R. which amazed the observers around the world announced the beginning of perestroika East-German-style. It differs greatly from Soviet perestroika. But who said that revolutionary turns in different countries should look exactly alike, even if in the past their lives were closely interconnected. The ways of returning of the Soviet Union and the G.D.R. to their natural historical development cannot help but differ.

The Scenarios of the Future

The reunification, or unification, of Germany is unavoidable. And a natural question arises: in what forms and conditions should this unification proceed? Of course, we must not overestimate the ability of the Soviet Union, the United States or any other countries to determine these forms and conditions. Hardly can the process of unification be determined from the outside. And still, a common stand taken by East and West on this issue cannot but influence the unification processes in Germany, and what is important—the following status of the reunited Germany in European policy.

At present there exist three possible variants of unification and three corresponding statuses of single Germany in Europe and the world. The first variant can be described as "traditionalistic"—since it was put forward yet in the 50s. It boils down to Germany's neutralization, as a result of which its Eastern and Western parts should leave NATO and the Warsaw Treaty and form a state of the Austria-type (the peace treaty with Germany would be analogous to the State Treaty of 1955).

The second variant is a "modernistic one." According to it the F.R.G. and G.D.R. are moving towards each other, remaining at the same time in the military-political and economic alliances they belong to now. The F.R.G. remains in NATO and the Common Market and the G.D.R.—in the Warsaw Treaty and the Council for Mutual Economic Assistance. Thereby, Germany's territory is turned into a proving ground for the constructive cooperation between the alliances and a place of the their gradual diffusion and turning into all-European structures of security and cooperation. Germany's unification goes in parallel with the unification of Europe, speeding up this process and keeping in contact with it. For the first time in history Germany will serve to unify rather than divide Europe.

And the third is the "realistic" or "practical" variant. The unified Germany participates in NATO, but on special conditions. Either NATO's military structures are not spread to the territory of the former G.D.R. (East Germany becomes a demilitarized, buffer zone in the center of Europe), or the entire Germany, remaining a member of NATO's political institutions, changes its status in the alliance's military organization (from reducing its military participation to leaving it completely, following the example of France). The Soviet troops are gradually withdrawn from the territory of the former G.D.R. and the American military presence in Germany is reduced to a symbolic size.

Let's consider the feasibility of all the three variants and their meaning for the Soviet Union.

The "traditionalistic" variant, put forward when the cold war was at its full swing, was aimed at consolidating the two-bloc confrontation in Europe. The following arguments speak against this variant.

Had this variant been implemented it would rather increase instability in Europe, than stabilize the situation: the continent would receive an independent "center of force" with unclear political aspirations, an unpredictable military doctrine and an enormous economic potential. This new "center of force" would sooner or later become a source of fears and an object of pressure from the part of its neighbors. The temptation to "pull over" neutral Germany to this or that side may be too strong both for the U.S.S.R. and the U.S.A. (in any case, each side will suspect the other one of such plans), the German "apple of discord" would

turn into a new and very serious problem of Soviet-American relations. In general, the notion of "neutralism" is hardly appropriate in a situation where East-West confrontation is abating.

Theoretically speaking, the "modernistic" variant looks impeccable. But it would be practical only if we spoke of the reunification of two equal states, and of the cooperation between to full-blooded alliances. However, there can be no talk of any "parity" in the unification process. The F.R.G. is the strong, and the G.D.R.—the weak side. Therefore, it is Bonn that dictates the conditions and forms and not Berlin. It is equally difficult to speak of equality in cooperation between NATO and the Warsaw Treaty, and the European Economic Community and the Council for Mutual Economic Assistance. If NATO is largely a political organization, the Warsaw Treaty failed to form more or less significant political institutions, while its military institutions are failing apart.

It is even harder to compare the EEC and the CMEA. While the former is actively developing, the latter is experiencing a deep crisis. It is unlikely that the crisis will be quickly overcome (another thing is whether the Soviet Union will manage to use its various trade, economic, scientific and technical ties with the G.D.R. to speed up the Soviet economy's integration into European economic structures. The answer to this question can be positive—if the Soviet side proves to be efficient and enterprising).

The third, "realistic," variant seems at first to bring nothing but trouble to the Soviet Union. NATO is moving eastward. The main outcomes of the Second World War are criss-crossed. And the attitude of our leadership to this variant is quite well-grounded. But does not the fear of NATO carry in itself the left-overs of the old way of thinking? What will be the functions of the Atlantic alliance when the East-West conflict becomes a thing of the past? The system of the bloc's institutions (if NATO can still be considered a bloc in these conditions), will turn into a "safety mechanism," and only as long as the political future of the Soviet Union causes arguments and doubts in the West. In all the rest NATO, to our mind, will become an amorphous "political club" of Western democracies, where the declarations of "Atlantic solidarity" and "common historical destiny" will sound more and more like a ritual. Practical issues will be mostly decided in the bodies of European communities, in emerging all-European structures, which will have nothing to do with the bloc confrontation during the cold war.

Any attempts to strengthen NATO by imposing on Germany a strict system of military and political commitments will only speed up the alliance's falling apart: the united Germany will hardly let NATO turn into a "strait-jacket" for the Germans, so that their damaged postwar status in European and world politics should receive a new form. And this new resolution of the German people is obvious to Brussels and Washington.

And if this is so, why should the Soviet Union fear the participation of the united Germany in NATO? Should we really turn this issue into a matter of principle, trying to influence the processes which the Soviet Union has long lost control of?

Asia, Africa Urged To Help End Nuclear Proliferation

90UF0034A Moscow AZIYA I AFRIKA SEGODNYA
in Russian No 3, Mar 90 pp 2-3

[Article by A. Prokhozhev: "A Vital Necessity"]

[Text] The President's Commission on Disarmament of the Afro-Asian Peoples' Solidarity Organization (AAPSO) met in Moscow. The representatives of the national organizations of the Afro-Asian Solidarity Movement discussed a broad range of issues pertaining to disarmament. The following address by Professor A. Prokhozhev, representing Soviet public opinion, is brought to the attention of our readers.

By now perhaps no one doubts that in the event of a nuclear war, there will be no victors, and that the outcome will mean the death of our entire civilization. Only an isolated group of "Cold Warriors", by now few in number, persist in trying to persuade mankind that it is feasible, under conditions of the scientific and technical revolution, to exploit the power of the atom for military purposes without injury to the world or its inhabitants. This is why efforts have been so stepped-up to promote the use of laser weapons, which actually represent nuclear weapons of a third generation.

Ultimately, however, whatever the source of destruction that is responsible for the annihilation of every living thing on earth, whether conventional radiation, X-rays, neutrons, or simply the blast repercussion, it makes no difference, does it?

That is why the Soviet Union has proposed to the world community, as one of its most important global objectives, a program of action designed to enable civilization to enter the third millennium without the presence of nuclear weapons. In the struggle against the nuclear arms race, the stand of the Soviet Union for the complete elimination of nuclear weapons closely reflects or coincides with the views of many nations in the world, including those of the Afro-Asian region. It is this which allows us to evaluate optimistically the possibility of extending cooperative efforts between the USSR and the Afro-Asian countries in the struggle for nuclear disarmament. In this connection the Delhi Declaration, signed in November 1986 by M.S. Gorbachev and R. Gandhi, on principles of non-violence and a world free of nuclear weapons, acquires special significance. This declaration in capsule form provides the essence of the policy of peaceful coexistence in the nuclear age.

The first substantial strides in curbing nuclear weapons under the terms of the INF treaty and the treaty to be concluded shortly between the United States and the USSR, which provides for a 50 percent cutback in strategic weapons, offer reason for optimism with respect to improving the international climate. It should be recognized, however, that the situation in the Afro-Asian region arouses the serious concern of peace-loving public opinion. Here, for the present, not one of the

numerous foreign military bases has been shut down, nor have the U. S. armed forces stationed in these countries been reduced in size, and the number of warships of the imperialistic powers in the Pacific and Indian oceans has even increased. The United States, for example, is planning to increase the number of warships equipped with nuclear weapons in its Pacific Ocean fleet to a total of 50 by 1991. There is also a large U.S. fleet in the Mediterranean, consisting of an aircraft carrier, a helicopter carrier, a battleship, 7 cruisers, and 11 ships of other kinds. According to certain assessments, U.S. ships and shore facilities have more than a thousand nuclear weapons concentrated in the Mediterranean. There is also a Soviet squadron in the area, but it consists of no more than a cruiser and three other surface vessels. And, of course, there are no stocks of Soviet nuclear weapons in the area.

A factor that has complicated world conditions is the armed aggression of the United States against Panama. An overwhelming majority of members of the world community have branded this intervention as shameful. The Soviet Government has issued a declaration condemning the aggressive actions of the United States.

Common concerns with ensuring world stability demand that decisive steps be taken in the field of disarmament. Although certain successes have been achieved in this respect during the past few years, thanks to continually stronger confirmation of the principles underlying the new political thinking in the international arena, nevertheless, serious impediments remain on the path toward the desired goal.

The United States and its allies, for example, under various pretexts, stubbornly refuse to enter into negotiations with regard to limiting or reducing naval forces, particularly ships with nuclear weapons or cruise missiles on board.

There can be no doubt that a successful resolution of this problem would have a beneficial effect on the state of international security throughout the world, including in Africa and Asia. For this reason the movement of public opinion calling for the elimination of foreign military units and bases on the territory of countries in Africa, Asia, and contiguous oceans and offshore areas continues to be one that is one of vital and timely importance.

But this is only one of the problems. Another one of no less and possibly of even greater importance is that a number of Afro-Asian countries have become infected with the virus of acquiring nuclear weapons of their own. Over the past decade there has been a pronounced movement, particularly in the countries of these two continents, to gain possession of the technical means of producing nuclear weapons. The number of these countries that, in fact, have nuclear weapons already or are close to producing them is growing. It is no accident that almost all of them refrained from signing the Nuclear Non-Proliferation Treaty of 1968.

There is, first of all, the South Africa, which has been working on the development of nuclear weapons intensively for many years, and according to foreign press reports is already preparing to test them. It is estimated that the South Africa is capable of producing up to 18 atomic bombs per year.

There is Israel, which possesses the appropriate technology, and which has already, apparently, managed to acquire a considerable number of nuclear charges. Although Tel Aviv denies that such weapons exist there, it is common knowledge that a fairly large nuclear power industry has been established in the country with the assistance of firms in the West. Since there are no nuclear electric power plants in Israel, it is perfectly clear that the developing nuclear industry has a purely military purpose. The capacity of the reactor in Dimon now exceeds 150,000 kilowatts, which makes it possible to produce up to 40 kilograms of plutonium a year. According to various estimates, Israel has already acquired an arsenal of from 20 to 200 nuclear bombs. There is the actual potential as well for the development of nuclear weaponry of the second generation—that is, hydrogen or neutron bombs. Israel is also actively engaged in U.S. efforts to create a third generation of nuclear weapons as part of the Strategic Defense Initiative.

Since the mid-1970's, a nuclear development program has been vigorously in progress in Pakistan. In 1982 at Kahuta near Islamabad a plant was built to produce enriched uranium, and work has been completed on a plant to refine plutonium received from the nuclear electric power plant in Karachi, which has long been in operation, with a capacity of 137 thousand kilowatts. In March 1987 the director of the nuclear development program, Abdul Kadir Khan, officially announced the existence of a nuclear bomb in Pakistan and the successful testing of a prototype model. Recently, the chief of staff of the ground forces stated publicly that Pakistan seeks to secure nuclear weapons in order to strengthen its armed forces and to exert a "restraining influence" on its adversary.

A quite large nuclear capability is at the disposal of India. Six reactors located at nuclear electric power plants have a total capacity of more than a million kilowatts. From the very beginning of its operations in the field of developing atomic power, and following the explosion of an atomic device in 1974, India has declared its determination not to possess nuclear weapons, and it has maintained the inadmissibility of exploiting the use or the threat to use nuclear weapons in the relations between states. But as everyone knows, no sooner will nuclear weapons appear in Pakistan than India will be obliged to provide an adequate response. Indian leaders have repeatedly warned of this eventuality. India now possesses the requisite scientific, technical and productive potential to take this step.

Japan, South Korea, and Taiwan also have the technical resources to produce nuclear weapons. In Japan about 40

nuclear reactors are currently in operation with a total capacity of 25 million kilowatts. In South Korea there are six reactors in operation with a capacity of 4.4 million kilowatts, and on Taiwan there are six reactors with a capacity of 4.2 million kilowatts. Although Japan, South Korea, and Taiwan are signatories of the Nuclear Non-Proliferation Treaty, periodically the ruling circles of these countries assert that they have a right to create "a defensive nuclear capability."

The development of nuclear power engineering in other countries of Asia and Africa as well will lead unavoidably to the accumulation of nuclear materials, scientific and technical knowledge, and production experience, all of which without the proper international controls can be exploited for the purpose of mastering the production of nuclear weapons. Whenever nuclear weapons appear in one country or another, the desire of neighboring countries to possess them inevitably arises. Thus the danger grows of a chain reaction that will spread nuclear weapons across the continents of Asia and Africa.

More and more countries of Asia and Africa are on the way to developing nuclear power engineering. Currently in the region there are more than 50 nuclear reactors in operation and as many more are being built or on the drawing boards. As a result the total nuclear electric power plant (AES) capacity in the region will double by the year 2000 and amount to 17 percent of the total world AES capacity. (Presently, it is 12.7 percent.) As the tragedy of the Chernobyl AES has demonstrated, the utilization of the energy of the atom for peaceful purposes is also fraught with great danger. An accident at an AES in countries of high population density, even on a scale ten times less serious than the accident at Chernobyl, could threaten the lives of many millions of people. Moreover, the relocation of these power plants to uninhabited areas makes them uneconomical. Supplementary measures are now being taken to make nuclear power engineering safer and more reliable. But all such efforts pertain to the purely technical side of the problem.

In the event of any kind of incident or armed conflict, an AES is defenseless against terrorist acts or attacks with conventional weapons. A precedent occurred in June 1981 when Israeli aircraft destroyed a nuclear reactor in Iraq. Fortunately, the reactor was not ready to operate and had not yet been loaded with nuclear fuel. The blowing-up of a single operating plant with conventional explosives could lead to incalculable casualties and to unpredictable consequences on a global scale. Calculations indicate that the destruction of an AES with a capacity of a million kilowatts would have consequences comparable to the explosion of a one-megaton hydrogen bomb. There are major hazards also connected with storage of the waste products of nuclear power plants. Many Western countries are increasingly trying to dispose of these waste products at a greater distance from themselves, on the territories of countries in Asia and Africa.

The growing threat of nuclear danger in the Afro-Asian region dictates the necessity of renewed efforts to mount public opinion within the member countries of Afro-Asian Peoples' Solidarity Organization in pursuit of the following objectives: —Universal and complete cessation and prohibition of all nuclear weapons tests; —International agreement by nuclear and nearly nuclear powers, renouncing a first use of nuclear weapons in Asia, Africa, and the world as a whole. It is well known that the first commitment of this kind was voluntarily assumed by the Soviet Union. It was subsequently endorsed by the People's Republic of China. Other nuclear powers, however, have not agreed to adopt such a commitment. It is submitted that the movement for a collective resolution of this grave problem in the form of an international agreement would encourage the ruling circles of these countries to undertake similar commitments, reinforcing first and foremost trust and mutual security. —An international agreement on the non-use of nuclear weapons against countries and regions maintaining a non-nuclear status based on the three non-nuclear principles: not to have, not to produce, and not to introduce nuclear weapons on their territory. —Participation in the Treaty on the Non-Proliferation of Nuclear Weapons by the states of Asia and Africa that have yet to sign it, and stronger international efforts to monitor atomic materials and technology under the aegis of the International Atomic Energy Agency. It is necessary to bear in mind, moreover, that this treaty terminates in 1995. —An international convention recognizing that terrorist acts of subversion and attacks on nuclear power plants with conventional weapons during armed conflicts, as well as the acquired skills and resources to undertake such acts, constitute a crime against humanity that cannot be tolerated. It is entirely fitting that such an urgent problem be submitted for consideration to the countries of Asia and Africa, where the era of atomic energy engineering is only just beginning. —Elimination and repudiation of the use of chemical weapons, the production of which, as experience shows, can be used as a basis for producing purportedly innocuous precursor components. —Achievement of these goals can contribute profoundly to ridding mankind of the threat of nuclear war, while bringing about a radical improvement in the international situation.

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Third World Economic Recessions Analyzed

90UF00504 Moscow NARODY AZII I AFRIKI in Russian No 1, Jan-Feb 90 pp 8-16

[Article by N. Z. Volchek: "Economic Crises in Developing Countries: Nature and Causes"]

[text] The simplistic way that articles in Soviet scholarly literature treat the economic crises on the world capitalist economy's periphery ignores the diverse social nature of these crises. From that standpoint, meanwhile, one can discern at least three types of interactive and mutually determinative crises in the countries that have gained their freedom.

I. At present, one can say with great certainty that the trend toward the development of economic crises in the liberated countries is stable in nature, and its effect is being felt on an expanding scale in the developing world (Table 1).

Table 1

Severe recessions in the Growth of Developing Countries' GNP: 1960-1985*

	1960s	1970s	First half of 1980s
Number of countries covered in the analysis	46	73	112
Number experiencing crises	15	31	69
Total number of crises in those countries	35	75	69
Including those lasting:			
up to a year's duration	22	43	20
from 1 to 2 years	11	19	22
2 years or longer	2	13	15

*Data for the 1950s are missing from the table because of the extreme sparsity of statistics on rates of growth at that period. The table includes slumps that lasted not less than six months and that resulted in an absolute drop in GNP (on a per capita basis) or in stagnation. Data calculated from the Yearbook of National Accounts Statistics. U.N., N.Y., 1976, 1985; Monthly Bulletin of Statistics. U.N., N.Y., January 1987, pp. 325-326.

In just the quarter-century from 1960 through 1985 there were (by a very rough estimate) 179 crises caused by declines in gross national product. In the 1960s and 1970s every country included in this analysis experienced from one to three crises, and in the past decade they experienced one each, but a more protracted one.

If in the 1960s such crises were experienced by only 30 percent of the observed countries, in the 1970s the figure was more than 50 percent, in the first half of the 1980s it was more than 60 percent, and the number of crises grew from 15 to 31 to 69, respectively. And they have increased markedly in duration: Crises that lasted more than a year accounted for 34.3 percent of the total in the 1960s, but in the following two decades they increased to 42.7 percent and 55.5 percent of the total (see Table 1).

Table 2. The Dynamics of GNP in the Developing Countries in the 1950s Through the First Half of the 1980s
(Minimal Growth Rate and Drop in Percentage Points)

(Minimal Growth Rate and Drop in Percentage Points)								
	1950s		1960s		1970s		First half of 1980s	
Country Groups	Minimal Growth	Drop in GNP	Minimal Growth	Drop in GNP	Minimal Growth	Drop in GNP	Minimal Growth	Drop in GNP
Developed Countries	1.3	5.9	3.0	3.2	-0.2	6.8	-0.3	2.5
Developing Countries	3.4	3.3	4.0	3.6	4.3	1.9	-0.4	5.4
Latin America	2.5	4.4	3.2	4.3	3.2	5.0	-2.6	9.1
Africa	—	—	0.2	7.6	2.7	4.8	-0.6	9.4
Middle and Near East	—	—	5.4	4.1	-0.3	164	-4.6	0.6
South and Southeast Asia	2.7	3.3	0.7	8.1	2.3	5.3	3.5	2.5

Calculated from the Yearbook of National Accounts Statistics, Vol. 2, 1967, pp. 810-827; Vol. 2, 1976, PP. 124-128; World Economic Survey, 1985, U.N., N.Y., 1985, pp. 8, 105.

The depth of the crises observed and their dynamics differ substantially from country to country, a fact attested to even by such highly aggregated data as the regional figures. The trend toward a deepening of severe recessions is more pronounced in the African countries. In the Middle East it began operating as of the mid-1970s, in Latin America it took effect in the 1980s, while in South and Southeast Asia this trend has been breaking down in the past two decades. But despite their variation in severity from one country to another, in terms of depth (on average), they have been the equal of the crises in developed capitalist countries, and in the first half of the 1980s they have surpassed them in both the depth and duration of the fall in GNP (see Table 2), exercising a marked destabilizing effect on economic reproduction processes in the developing countries' economies.

Selected data (Table 3) on the crisis in the first half of the 1980s show that it caused economic stagnation (according to the data presented in the table, the minimal economic growth rates ranged from 0.8 percent to 1.8 percent) and led to a significant drop in the rate of savings and to an absolute drop in per capita consumption.

The stability and scope of the trend toward the development of economic crises that exists in the Third World, the destructive consequences of such crises for national production, and the downward pressure on the living standard of the bulk of the population—all this confirms the need for a scientific understanding of their nature and causes. That is all the more necessary in that a simplistic treatment of these questions is discernible in our literature.

Table 3. The Role of the Crisis in the Early 1980s in Destabilizing the Economic-Reproduction Process in the Developing Countries

Table 3. The Role of the Crisis in the Early 1980s in Destabilizing the Economic-Reproduction Process in the Developing Countries (Continued)

Groups of Countries	Percentage of 1984 GNP		Years	Creates Drop in GNP	Average 1980-1984 Growth Rate in Percent					Average Annual Population Growth, 1980-1985
	Agriculture	Industry			GDP	Agriculture	Industry	Consumption	Investment	
Petroleum Exporters	12	38	1981-1985*	-7.1 (1984)	-1.8	2.0	-16.4	—	—	—
Industrially Developed Countries	3	37	1981-1983	-0.5 (1982)	1.5	0.4	1.0	3.4	-1.7	0.4

*The crisis continued after 1985 as well

Calculated from the World Economic Survey, 1985, p. 8; World Development Report, 1986. Washington, 1986, pp. 154-156.

II. The simplistic nature of the approach to the crises in the liberated countries and to the reasons for those crises is manifest, above all, in the way that the varied social typology of the crises is ignored. It is symptomatic that many of the articles devoted to the crisis in the first half of the 1980s regard it as partaking of some sort of wholeness in social terms. Meanwhile, one can single out at least three basic social types of economic crises.

1. **Crises germane to the very lowest, most archaic (semisubsistence) structures.** Their specific nature is most fully revealed in the food crisis that has been characteristic of many liberated countries, a crisis that manifest itself, in most cases, in an absolute shortfall in the production of basic food crops. The development of this crisis is caused by the structural characteristics of precapitalist systems to which the food sector is linked (the social and technological backwardness), the growing inappropriateness of these characteristics to the economic-reproduction requirements of commodity and capitalist production and to the demographic realities of the liberated countries. This crisis is chronic in nature and is severely aggravated by a number of factors—weather and climatic factors in particular.¹

2. **A marked role in the destabilization of developing economies is played by the crises that afflict limited-commodity and early-capitalist production.** In some cases, they are also caused by the structural backwardness of these economic forms, by their predominant reliance on natural productive forces, and therefore production's greater reliance on weather conditions. In other cases (I have in mind export production), the crises that occur in these systems are reflexive of events elsewhere—their reasons are purely external, reflecting changes in world-market conditions.

3. **As capitalism develops in the liberated countries, capitalist-type economic crises become increasingly widespread.** Substantial interbranch differences in the level of capitalist development determine the features peculiar to these crises in each specific case—features

that manifest themselves in the way that basic proportions are lost, in the mechanism by which reproduction contradictions develop in industrial capital, in the forms in which they develop, etc.

In reality, all the socially diverse types of crises are interactive and mutually determinative. At the same time, however, they retain the distinctive features that are specific to them. Therefore, the causes of a general economic slump and the mechanism by which it develops can be clarified only by explaining, in each specific case, the nature of the mutually interconnected crises that caused it. That being the case, one must keep in mind the fact that the reasons that give rise to the social diversity of crises in the Third World undergo substantial changes as the crisis develops, and that along with these changes there are likewise changes in the very nature of the combinations of such crises—changes in their basic variants.

Until approximately the mid-1970s the basic reasons for this diverse character was concealed by the mix of socioeconomic structures in the developing economy, which in all its known historical variants (in the European-American variant at the time of capitalism's establishment, in the Russian variant in the 19th century, and in the colonial variant in the first half of this century) always gives rise to socially diverse types of economic crises. Lenin once wrote that "a country that experiences a growth of trade and capitalism cannot fail to experience crises of all sorts if, in the main branch of the economy, medieval relations serve as a brake and impediment every step of the way."² But it's obvious that the specific historical circumstances of the mix of socioeconomic structures also cannot fail to influence the social characteristics of these crises, their combinations, the mechanism of their development, and their severity.

In the 1950s the native economy experienced the pressure of the colonial period's traditional combination of crises, whose mechanism of development had not, as of that time, undergone substantial changes in comparison with the past. The destabilization of economic growth in the developing economy was primarily caused, in those years, by an exacerbation of agrarian crises (above all,

food crises) although, of course, a certain role in the general economic recession was played by crises of both the reflective-induced type and the capitalist type that were developing in the capitalist sector, which in many countries had retained its enclave-like character (I have in mind the extractive industries and the plantation economy); therefore the mechanism for the development of the crises in question remained traditional, as well.

In the subsequent two decades, the existing tendency toward the development of economic crises of socially diverse types was noticeably modified under the influence of progress in the liberated countries' social and economic development (the move beyond a subsistence economy, urbanization processes, the formation of mature-stage forms of industrial capital, the intensification of ties between the different socioeconomic formations, etc.) and the deepening of the overall imbalance of national production.

First, the number of industrial slumps increased, and their influence on economic growth strengthened accordingly. According to very approximate calculations, the developing countries experienced 35 severe recessions in industry in the 1960s, not less than 75 in the 1970s, and only slightly less than that in the first half of the 1980s.¹ What's more, the manufacturing as well as the extractive industries were hit by crises. If in the 1960s it was still primarily agrarian crises that put pressure on the dynamics of gross national product (particularly in South and Southeast Asia and in Africa), in the 1970s, and particularly in the 1980s, both in connection with the growth in the total number of industrial crises and as a result of their greater severity, they were rather strongly felt in terms of their negative impact on the growth of the gross national product, even if they were not everywhere a match for the agrarian crises. Therefore, throughout the developing world there was a marked increase in the degree to which industrial and general-economic crises coincided. And in areas of greater industrial development such as Latin America and the Middle East, it was primarily industrial crises that were responsible for destabilizing economic growth.

Second, there were qualitative changes in the mechanism of development of both the crises that are typical of a backward economy (food and reflective-induced crises) and those of industrial origin. Economic-reproduction contradictions among the different socioeconomic structures played an increased role in the development of various severe recessions. New structural factors (of both local national and other national origin) took shape, either causing or aggravating the crisis-prone instability of the "peripheral" economy's dynamics. State intervention played an increasing role in the development of crises.

Third, the reasons for the development of socially diverse economic crises in these areas grew more complex. The former reason (the mix of socioeconomic structures in national production) for such crises was joined by yet another—the growing differentiation of the

liberated countries in terms of their level of social and economic development. The effect of their combined action was that the tendency toward the development of socially diverse crises began to operate not only at the level of individual countries but at the level of the entire developing world as well. Despite all the variation in the specific combinations of these crises in the developing world today, in view of that world's socioeconomic differentiation, one can single out three basic variants of their combination.

The first variant is typical of the less developed liberated countries. The leading role in destabilizing their economic growth is still played by capitalist-type crises—the food and reflective-type crises that develop in small-scale production of goods for export. In the first half of the 1980s a further aggravation of crises of this type served to exacerbate the general-economic, severe recession in the Sub-Saharan African countries that are importers of petroleum (their average annual rate of growth of gross national product fell to 0.1 percent in 1980-1984, as compared to 1.9 percent the preceding five years).⁴ But on the scale of the developing world as a whole, agrarian crises of the precapitalist type are now playing a much reduced role in destabilizing the economy. It is indicative that during the period of economic crisis in the first half of the 1980s the food crisis worsened in the three developing regions, but only in the most backward countries did it cause a general economic slump.

The second variant can be observed in the countries that have progressed farthest along the path of capitalism. The establishment, in these countries, of the capitalist system as the reigning method of production predetermines the leading role of industrial slumps in the development of a general economic crisis. This variant manifested itself clearly during the most recent crisis, since the industrial slump was experienced at that time by many mineral-and petroleum-extracting countries, as well as by the group of newly industrialized countries (Brazil, Argentina, Mexico, Singapore, Hong Kong and South Korea). In connection with the fact that no less than 50 percent of the Third World's manufacturing is located in those countries, the industrial crisis that developed there predetermined a severe recession in the industry of the developing countries as a whole.

The third variant: The general economic slump reflects the cumulative effect of interrelated and interactive crises of a precapitalist and capitalist type. The specific combination in which they interact is also multivariant, but as a rule neither of the social types of economic crises that are possible in an economy of mixed socioeconomic structures clearly plays the leading role in it. A variant of this type was observable in the first half of the 1980s in a group of developing countries of considerable size in numerical terms and in terms of population, countries in which rather well developed capitalist structures had taken shape, but whose economy retains a clearly expressed mix (or duality) of socioeconomic structures.

In stating that at present the tendency toward the development of socially diverse types of economic crises operates on two levels, I would note that its development is characterized by increasing unevenness at the single-country level. In the most developed and the most backward of the liberated countries, it manifests itself in a weak way (in the former it is dying out, in the latter it still lacks the conditions for intensive development). And only in the countries with a clearly expressed mix of socioeconomic structures, including forms of industrial capital that are highly advanced for that stage of development, does this tendency manifest itself with sufficient clarity. On the other hand, at the level of the developing world as a whole, it has gotten a "second wind," so to speak. In view of the fact that it is "fed" by the increasing differentiation among the developing countries, one can assume that in the foreseeable future this tendency will gain in strength on the scale of the developing world as a whole. Therefore, analyzing the economic crises occurring there on the basis of "average" cases, without regard for social specifics, will substantially distort the nature of such crises in the future as well.

The 1980s brought to light yet another important feature of the tendency toward the development of socially diverse crises in the Third World: There was a marked increase in the role that capitalist-type crises played in destabilizing economic growth. This can be seen from the growing influence that industrial-production dynamics exercised on the rate of growth of gross national product. As early as the 1974-1975 crisis, this rate of growth fell to 4.4 percent in the context of growing agricultural production (from a rate of 2.8 percent in 1974 to one of 4.6 percent in 1975) and of industrial growth rates that were declining from 6.3 percent to 1.1 percent (during the same period).⁵ During the crisis in the first half of the 1980s, the effect of industrial dynamics on total gross national product grew and, more appreciable than in the past, surpassed agricultural swings in terms of their influence on GNP. It is indicative that the 1981 crisis-like drop of about 1.3 percent in the size of the developing world's gross product occurred in the context of dynamic growth in agriculture (its growth rate had risen to 5.2 percent, as compared to 2.3 percent in 1980) and a drop in the rate of industrial growth to 3.4 percent. A marked growth in GNP (to 5.4 percent, after a three-year severe recession) took place together with an insignificant growth in production in the agrarian sector (from 1.0 percent in 1982-1983 to 1.8 percent in 1984), but with a sharp acceleration in the growth of industrial production (following a four-year severe recession, its rate of growth reached 6.7 percent in 1984).⁶ Apparently the role of industrial crises in destabilizing economic growth will continue to increase, since it is linked to stable processes that began in the mid-1970s: intensive-type development of capitalism in the liberated countries and a marked worsening of conditions for its reproduction in many of

those countries. Therefore, an analysis of the reasons that caused these crises assumes ever greater importance today.

III. There are various opinions on this question in the scholarly literature—both Soviet and Western. In summarizing them, one can identify two basic trends in treating the subject.

Some researchers feel that, in the majority of the liberated countries, industrial crises are primarily caused by internal reasons—an aggravation of reproduction contradictions in economies undergoing capitalist development.⁷ Others put forward the idea that these crises are external in origin.

For their part, some proponents of that position proceed from the fact that "in the developing countries, socialization of the production process has still not undergone sufficient development, and therefore, in the majority of the developing countries, there are as yet no internal grounds for economic crises."⁸ Others believe that the very dependent nature of national capitalism preordains economic crises of external origin in those countries. In researching the crisis that broke out in the Brazilian economy in the first half of the 1980s, one proponent of that viewpoint wrote that, in its development, "the factor of external dependence played a decisive role... In a situation of mounting economic disorder, the imperialist powers and their monopolies utilized the new forms of dependence, along with traditional methods, to 'displace' it to the periphery of the world capitalist economy."⁹

Neither of these arguments strikes me as convincing. Above all because they are abstracted from the real characteristics that are inherent in the economic basis and in the capitalist system taking form in the developing countries. In particular, I find it difficult to agree with the idea that in the majority of these countries, capitalism is immature, if one takes into account the fact that, first, its development in the "peripheral" economy begins from late-stage forms of industrial capital. Second, in a whole group of countries, a mature capitalist system of that sort is becoming, or has already become, the leading socioeconomic structure in national production. Third, a group of newly industrialized countries has formed in the developing world, countries where capitalism is already the dominant form of production. The opinion that these countries constitute a minority in the developing world is clearly at odds with reality. According to the latest calculations by V.L. Sheinis, these two groups of countries account for no less than 80 percent of the developing world's population and more than 90 percent of its aggregate GNP.¹⁰

In the context of the intensive development of capitalism in the liberated countries over the past 10-15 years, the thesis that its dependent status predetermines the imported nature of the industrial crises that occur there

also loses its persuasiveness. As distinct from the colonial past, when a transplanted capitalism had an enclave-like character in terms of both its social status and its production ties, the capitalist system in the majority of the developing countries is being increasingly integrated into the local economy, whose economic-reproduction mechanism, despite its dependent nature, is assuming ever greater relative separateness and independence. The external conditions of economic reproduction today, of course, influence the growth of industrial capital, which operates in an economy that is dependent on the world market, but in periods when those conditions worsen sharply, they now figure as an important factor, but not as reasons for the development of industrial crises in the liberated countries.¹¹

It is also apparent that, under conditions of an intensifying internationalization of economic life, the destabilization of economic growth in any capitalist country (and as economic-reproduction ties intensify between capitalism and socialism—in socialist countries) is the result of the influence exercised on it not only by unfavorable internal factors but by external ones as well. What is different about a developing economy in this respect is its limited ability to compensate for these factors by means of internal resources or at least to reduce substantially their negative impact.

Naturally, it would also be incorrect to ignore totally the role of external conditions as reasons for the development of industrial crises in the liberated countries. They are precisely what determines crises in the smallest Third World countries, whose economies are directly integrated into the developed capitalist countries' economic reproduction mechanism—countries that form a single whole with it and are separated from it only in a geographic sense.¹²

A concrete analysis of industrial crises in individual liberated countries¹³ shows that the immediate cause of the serious exacerbation of industrial capital's economic-reproduction contradictions are both its failure to save adequately in absolute terms, and its excessive savings in relative terms. Therefore, under critical conditions the violation of basic reproduction proportions expresses itself in two forms: in absolute underproduction and relative overproduction. At the earliest stages of industrialization the former predominates, but as it develops further, the second becomes dominant.

The above makes it clear that industrial crises in the liberated countries, as in the developed ones, are divided into structural or cyclical, depending on their form. Structural crises are caused by a complex of qualitatively diverse factors. Some express structural defects in the industrial capital proper (persisting disproportions among the branches of industry that are forming, the fact that the capital-intensive, extensive-type growth model that is characteristic in these circumstances is inappropriate to the industrial system of productive forces that is taking shape, and the gap between that system and the

real and potential labor market). Others express structural faults in the developing economy as a whole (socio-economic and sectoral imbalances).

The industry that is taking shape experiences the pressure of all these factors everywhere. But in an economy that has progressed farther along the capitalist path, the first group of factors assumes primary importance in the development of industrial crises, while in one that has made less progress along that path, it is the second group.

Cyclical-type industrial crises in the liberated countries are transported there from the centers of world capitalism. In some cases their external origin has to do with the insufficient development of capitalism (a cyclical crisis presupposes not only an appropriate level of production of producer goods but also the spread of capitalist production relations to all spheres of the economy) and with its dependent character. In other cases, it has to do with the growing internationalization of an already developed capitalist national economy. But in both types of countries the cyclical form (as well as the traits of a cyclical crisis and its mechanism) is distorted by state intervention in the economy and, most important, by the destabilizing effect of structural factors on industrial growth, particularly if the cyclical crisis is superimposed on an industrial crisis of the structural type.

A great variety of external factors—market-related, cyclical and structural—play an important role in the development of industrial crises in the liberated countries. Until the 1970s, market-related factors (for example, short-term shifts in world prices for raw materials), and, albeit to a lesser extent, cyclical factors, were the primary source of negative effects on industrial growth. They were felt above all in the extractive industries. Beginning in the 1970s, there was a marked increase in the pressure exerted on industry by external factors. This was caused, on the one hand, by the fact that national industrial production's increased orientation toward export, by its growing dependence on the world-capitalist market for capital and producer goods, and the national economy's poor adaptation to the stage of the scientific and technical revolution that is under way in the developed capitalist countries. On the other hand, by the aggravation of the world energy situation, the growing structural problems in capitalist countries, and the two serious world cyclical crises (1974-1975 and 1980-1982). Evidently, structural factors (particularly shifts in the structure of production and consumption in the developed economy) will continue destabilizing the development of industry if fundamental changes are not made in the national strategy for social and economic development, changes aimed not only at developing the domestic market, making the economy better balanced and reducing its level of dependence, but also adapting it to the new structure of world production and consumption that is now taking shape.

In addition, industrial crises in the liberated countries are the result not only of uncontrolled forces but also of the regulative actions of the state, since it is precisely the

state that formulates the overall strategy for economic progress and industrial growth, and also largely determines the instruments available for its achievement (policy in the areas of pricing, credit, taxes, incomes, etc.). In these strategies, just as in applied economic policy, there are often serious errors, and the primacy given to group interests sometimes lead to extremely ineffective utilization of external loans, foreign capital, savings, etc., thereby making economic-reproduction difficulties even worse for industrial capital. Naturally, it would be wrong to absolutize the role of the central government in the development of industrial crises in the Third World (as the latest reports of the International Bank for Development and Reconstruction are prone to do), but it also makes no sense to minimize it, in view of the fact that the ruling circles in most developing countries are invested with rather broad authority in the economic sphere.

Nevertheless, for all the severity of the industrial crises and despite the unquestionable tendency for them to develop on the periphery of the world capitalist economy, it would hardly be right to regard them as symptomatic of a crisis of the capitalism that is developing there. The postcolonial history of the development of economic crises attests to the fact that, while these crises have laid bare the seriousness of industrial capital's reproduction contradictions, and while they have temporarily weakened its position in the economy, at the same time they have forced the ruling forces in the "peripheral" countries to clear the path for its further development. In some cases, this path has been less linked to changes in the socioeconomic strategy of development than it has been aimed primarily at making adjustments in the branch and technological structure of industrial capital, in the nature and scope of its ties with the external market, etc. In other cases, partial and overall corrections have been made in the strategy of development itself.

For all of the contradictory nature and temporary effectiveness of these measures (which reduce, but do not remove, industrial capital's reproduction contradictions), they make it possible, experience shows, not only to overcome the severe recession but also, in the final analysis, to intensify the development of capitalism in the Third World. It is symptomatic that the intensification of the tendency for industrial crises to develop in these areas coincides in time with the acceleration of the processes of capitalist development.

Analysis of the nature of economic crises in Third World countries enables one to draw conclusions with more than just particular reference to the question at hand. The growing similarity of the mechanisms whereby crises develop in both the liberated and the developed capitalist countries tells us that the features specific to the industrial capital being formed in the Third World are historically transient in nature. In any case, it is already obvious today that the laws of its dynamics are

approaching ever more closely the regularities that characterize economic reproduction in the developed part of the world capitalist economy.

Footnotes

1. For details on this, see: *Vostok: prodovolstvie i razvitiye* [The East: Food and Development], Moscow, 1986; Hamid Tabatabai. *Food Crisis and Development in Sub-Saharan Africa*. ILO, Geneva, 1985.
2. V. I. Lenin. *Polnoye sobranie sochinenii* [Complete Works], Vol. 17, p. 65.
3. Calculated from the *Yearbook of National Accounts Statistics*, Vol. 2, 1967; Vol. 2, 1983.
4. *World Development Report*, 1985, p. 17.
5. *Yearbook of National Accounts Statistics*, Vol. 2, 1979.
6. *Production Yearbook*. FAO, Vol. 39. Rome, 1986, p. 78; *World Development Report*, 1986, p. 156; *Ekonicheskoye polozhenie kapitalisticheskikh i razvivayushchikhsya stran. Obzor za 1987 i nachalo 1988* [The Economic Situation of Capitalist and Developing Countries. Survey for 1987 and early 1988], Moscow, 1988, p. 24.
7. This position is reviewed by my in detail in the monograph of the USSR Academy of Sciences' Institute of World Economy and International Relations, "Razvivayushchiesya strany: ekonomicheskiy rost i sotsialnyy progress" [Developing Countries: Economic Growth and Social Progress], Moscow, 1983, Chap. 4.
8. "Vlyanie mirovogo krizisa na razvivayushchiesya strany" [The Influence of the World Crisis on the Developing Countries], Moscow, 1984, P. 21.
9. *Mirovaya ekonomika i mezhdunarodnye otnosheniya* [The World Economy and International Relations], No. 5, 1985, p. 43.
10. V. L. Sheinis. *Urovni i variyanty stanovleniya kapitalisticheskogo sposoba proisvodstva v razvivayushchikhsya stranakh* [Levels and Variants of Establishing the Capitalist Means of Production in the Developing Countries], in the magazine, *Narody Azii i Afriki* [The Peoples of Asia and Africa], No. 1, 1988, p. 25.
11. In this connection, one should doubtless call attention to the need to distinguish between the causes of, and factors in, the development of economic crises.
12. On this group of countries, see: V. L. Sheinis, *op cit.*, pp. 18-19.
13. See, for example: *Razvivayushchiesya strany: ekonomicheskiy rost i sotsialnyy progress* [The Developing Countries: Economic Growth and Social Progress], Moscow, 1983; N. Z. Volchek. *Dinamika promyshlennosti Indii. Indiya 1985-1986. Yezhegodnik* [The Dynamics of Indian Industry. India 1985-1986. An Annual]; also *Vlyanie ekonomicheskogo krizisa 80-kh*

godov na polozhenie trudyashchikhsya v razvivayushchikhsya stranakh [The Influence of the Economic Crisis of the 1980s on the Situation of the Working People in the Developing Countries], in Rabochiy klass i sovremennyy mir [The Working Class and the Modern World], No. 4, 1986; A. P. Karavayev, Braziliya: poiski vkhoda iz krizisa [Brazil: The Search for a Way Out of the Crisis], Rabochiy klass i sovremennyy mir No. 3, 1987; I. Zorina, V. Sheinis, Argentina na isotricheskem

povorote [Argentina at a Historic Turning Point], Mirovaya ekonomika i mezhdunarodnye otnosheniya [The World Economy and International Relations], No. 5, 1984; N. A. Lidlein, Vozdeistvie mirovykh krizisov na ekonomiku razvivayushchikhsya stran.—Razvivayushchiesya strany. Protivorechiya ekonomicheskogo rosta. [The Effect of World Crises on the Economy of the Developing countries.—Developing Countries. The Contradictions of Economic Growth], Moscow, 1986.

Customs Official Describes Challenges, Goals

90UF0065A EKONOMIKA I ZHIZN in Russian No 14, Apr 90 p 17

[Interview with Leonid Arkadyevich Lozbenko, chief of the administration of customs policy and foreign trade of the Main Administration of State Customs Control under the USSR Council of Ministers, by correspondent V. Maleyev; time, place, and date not specified]

[Text] [Maleyev] Leonid Arkadyevich! The decisions adopted by the government in the last 2 years put an end to the monopoly in the area of foreign trade. Today more than 12,000 enterprises, associations, and cooperatives have received the right to enter the international market. And the results have proven to be quite unexpected. Imported goods have not been added to the store counters. But many resourceful operators have decided that the secret words "Open, Sesame!" have already been pronounced. There is a real "boom" in contraband items at the border.

[Lozbenko] To be more precise, we have encountered the consequences of the euphoria which has now seized the participants in foreign trade relations. In chasing after hard currency some of them are losing their heads and go beyond the limits of what is sensible and permitted. They do business, as they say, exclusively to fill their own pockets without worrying about the interests of the state or society. Of the 1.1 million export freight shipments, for example, customs organs confiscated 6,200 batches of freight in the last three quarters of last year. Dozens of illegal attempts to export large batches of scarce materials, strategic raw materials, and other goods crucial to the domestic market were stopped. At the present time proceedings for more than 30 such criminal cases involving contraband worth some 50 million rubles have been started at the request of customs organs.

A border has one interesting characteristic. The problems which our society experiences are graphically and visibly manifested here. Our inability to trade profitably can be seen using particular examples. Lack of organization, poor management, incompetency—one can get the feel of it all, as they say. An echo of the changes in political life also reaches us. The removal of restrictions on private trips abroad and permanent residence outside of the country has resulted in a significant growth in "suitcase" contraband. Last year the amount confiscated for this reason rose by a factor of 1.5 as compared to 1988 and the value of the valuables which the contrabandists tried to take out more than tripled. We detain hundreds of "tourists" from the outside world who try to make money off the scarcities that exist in our domestic commodity market.

In fact we were caught unawares by the changes taking place in the country. Compare, there are slightly more than 7,000 people on staff in the customs service today, while in prerevolutionary Russia almost one-quarter more people were working in it. In the United States today there are 17,000 customs officers with outstanding

equipment, in France—22,000, and in the FRG—more than 36,000. One can imagine the difficulties we encounter today.

[Maleyev] Obviously the customs service is on the threshold of fundamental reforms.

[Lozbenko] Yes, and the point here is not only the number of workers. We are speaking of a new work ideology of the customs service based on international standards. All our participants in international commercial contacts should understand and accept this.

Our country is preparing to become a fullfledged member of the Council of Customs Cooperation, which today unites 104 states. We are also following a policy of drawing closer to such a prestigious international organization as GATT, the General Agreement on Tariffs and Trade. But before integration of the domestic market with the world market happens, we must put our customs system in order.

We must build a number of new and remodel existing border passage points, equip them with special technology, and join them by a unified computer system. According to the existing law on the state border the construction should be done by the various transport ministries and departments under whose jurisdiction, in terms of specialization, these points are. As a result, because of interdepartmental lack of communication passage points are now in a neglected condition. Our prestige is suffering, for the border is the country's face. Obviously the matter should be placed in definite hands and the joint efforts and resources of the USSR GUGTK [Main Administration of State Customs Control] and the governments of the Union republics should be used. This enormous state program requires, in our estimate, about 700 million rubles. With the appropriate support we could realize it in 6-7 years.

It is vitally important to strengthen the contingent of customs personnel and raise their status. A customs officer should be supplied with everything he needs, he should be socially and legally protected, and he should be guarded against the temptation of bribes. It is no problem for a firm rolling in money to offer a bribe of several tens of thousands or even hundreds of thousands of dollars for a customs officer to "close his eyes" at the right time.

The system of organization and control over the movement of freight across the border must also undergo perestroika. Since last year, by decision of the government, all freight which crosses the USSR border must without fail be accompanied by a customs declaration—a kind of international freight passport. The declaration allows any question involving delivery to be answered quickly and data to be verified through a computer network. The practices of the countries of the European Common Market are taken as the basis. Although the declaration functions only on our country's territory, negotiations are already underway concerning its international recognition.

[Maleyev] What benefit will this step provide?

[Lozbenko] According to the estimates of the Council on Customs Cooperation, freight going from the exporter to the importer sometimes crosses the borders of various states up to 17 times. If each customs office has a different approach to registering that freight, at the destination point the output may actually prove to be uncompetitive because of the loss of time. Nor is artificial delay ruled out.

But now Soviet entrepreneurs will be able to compete on the foreign market in delivery terms. Here is another feature. The sender of one batch of goods from our country to, for example, the FRG spends up to 43-47 West German marks just to have the customs documents officially reregistered. One can imagine how much we lose within the framework of all commodity turnover.

And the last thing. The freight declaration is supposed to replace a whole number of documents which formerly accompanied the freight. It may be used by the exporter, and the importer, and the shipper, and the customs officer, and the bank. The advantage is obvious but the matter is not a simple one.

[Maleyev] There is one more condition for the USSR to join GATT—the existence of customs statistics.

[Lozbenko] No matter how paradoxical it may seem, formerly the government did not have accurate information on what goods and in what quantities those goods crossed the state border. Only foreign trade statistics existed and they did not always accurately reflect the real picture. Information on a trade deal would arrive, but it was based on the sum indicated when the import contract was concluded, while the freight was still at the plant. But customs statistics are based on real supervision of foreign trade transactions. It registers the dates of export and import and provides complete information and the possibility of real control regardless of departmental interests. A statistics department has already been set up at the USSR GUGTK. Now the record-keeping is being computerized.

[Maleyev] To what degree are economic methods of regulating foreign trade being used in our country? In particular, customs duties which without any administrative bans may put up a "red light" on some goods while giving others the "green light." Isn't the secret of the exclamation "Open, Sesame!" and the possibility of free access to the riches of the world market included in these duties?

[Lozbenko] That is one of the most important questions. Many countries have customs duties councils on the state level. On the basis of the interests and policies of the state they formulate the strategy of customs duties regulation. Customs rates can protect the producer from competition and the domestic market from exhaustion and create priorities in trade, or in contrast, wage trade wars. Such an organ existed in our country only in the

early 1920s. Today's tariff does not perform any economically regulatory function. A draft of the new USSR Law on Customs Tariffs has now been prepared. This draft is based on the international commodity classification—a harmonious system of describing and coding goods used to standardize all customs and trade transactions as much as possible.

Current interrelations with the CEMA countries, for example, demonstrate how necessary it is to move to a flexible system of customs duties. In 1989 a number of reciprocal administrative restrictions on the export and import of goods in high demand were introduced. They were necessary measures. Czechoslovakia and Hungary, for example, protect their more or less saturated markets. But we protect ourselves so that goods in high demand are not exported. However, the situation is not changing. By banning exports, we cause some tension in relations, the dissatisfaction of thousands of people, and a stream of complaints.

The solution to the problem is normalizing the domestic market rather than defending artificial barriers. As for trade turnover, the faster we move to normal trade relations on the basis of customs tariffs regulation, the faster we will be able to integrate our markets using economic rather than command methods. That is important in contacts with all countries of the world, for the domestic market must sometimes be protected from unjustified competition and, vice-versa, the intake of certain goods must be encouraged.

[Maleyev] There is one other problem. Today the question of the role and place of the customs service in contemporary conditions and the principles of its construction and subordination is being broadly discussed. Some people are talking seriously of introducing customs control on internal borders.

[Lozbenko] Although I understand all the complexity of the situation which has taken shape, I want to mention nevertheless that from the very beginning and from their birth our Union republics, sovereign state formations, have had the unique opportunity to trade freely on the country's entire territory. The European Community, for example, is just now coming to that, and by 1992 a common internal market will open. And we must not abandon our economic advantage but, on the other hand, think how to use it to greatest effect.

Utility of Barter Deals With Foreign Firms Questioned

90UF0053A Moscow *PRAVITELSTVENNYY VESTNIK* in Russian No 12, Mar 90 pp 6-7

[Article by K. Petrova: "European-Style Trading Is Needed.—Why Some Barter Deals Are Made on the Principle: My Gain, the State's Loss"]

[Text] Yet another outburst of emotion at the Congress of People's Deputies. A. Sobchak posed the question of the

government's resigning. N. Ryzhkov responded directly and unambiguously: Let us do our work or we will resign.

There is no need to recount the episode that occurred last Wednesday, when People's Deputy A. Sobchak suddenly broke into the discussion of the institution of a presidential system with a statement on the activities of the infamous ANT—after a brief discussion the parliament decided to make no cuts in the telecast of the session. But certain thoughts that were expressed in response to N. Ryzhkov merit comment.

The chairman of the USSR Council of Ministers provided the information that, at present, there are 14,000 enterprises, cooperatives and other organizations that have obtained the possibility of conducting foreign trade. Today, a qualitatively new situation has taken shape: It is completely clear that any thoroughgoing break with earlier procedures is bound to entail costs.

Noting that the government has radically expanded the circle of participants in foreign-trade operations, N. Ryzhkov reminded those present that it was above all certain representatives of the corps of Deputies who had fought for "boundless freedom." And they were the ones who subsequently charged the government with excessive regulation of foreign-economic activity.

"Granted, we took tough action," N. Ryzhkov said. "We were convinced that a great many negative phenomena had indeed taken place, and that is why we are now setting matters to rights in that area."

In recent times the press has repeatedly carried reports of questionable foreign-economic transactions—barter transactions for the most part. The reports are indignant in tone, but the people who write them far from always—or, to be more precise, seldom if ever—take the trouble to analyze the reasons why such a bacchanalia (to put it mildly) ever got started. And who is to blame for it. Let me cite the Prime Minister's words once again. Speaking of barter, N. Ryzhkov explained:

"We would like to sell abroad whatever can be found to sell—production scrap, above-plan output—and use the money earned to ship consumer goods to our country. What's wrong with that?"

Continuing this thought, let me remind you that any sensible idea can be carried to the point of absurdity.

Half a Kingdom for a Horse.—M. Popik, deputy head of the USSR Ministry of Foreign-Economic Relations' Chief Administration for Raw-Material Exports and Imports, watched from the window of his office as a long line, shifting excitedly, crept slowly into the innards of the grocery store on Smolenskaya Square. A dense throng was moving in the opposite direction—out through the doors—and one could see, even from the eighth floor, that their shopping bags contained large plastic bottles of vegetable oil.

"Have a look," Mikhail Aleksandrovich couldn't resist saying, summoning his visitor to the window. The latter

approached the window slowly, cast an indifferent glance at the line of people waiting and said he needed the license just the same. The Moldavian enterprise that he represents would like to exchange 1,200 metric tons of processed sunflower-seed oil for imports of common consumer goods. But without the permission of the International Bank for Economic Cooperation, that would be out of the question. That's why he was asking. But how can there be any talk of an exchange when, in the first place, we are short of oil ourselves and, in the second place, the republic receives 12,000 tons of imported oil every quarter, from centralized stocks. Naturally, the export license was denied.

Is the incident with the oil something out of the ordinary? If only it were! The Semipalatinsk wool-processing factory requests permission from the republic State Agro-Industrial Committee to barter 2,500 metric tons of Merino wool in exchange for new equipment. Why not grant it? one might ask. Technical progress is a sacred matter. There's just one hitch: The state buys wool of that sort in Australia and New Zealand at very high prices. And buys it, incidentally, for freely convertible currency. And even then there isn't enough wool. An odd form of commerce, it would seem. The enterprise is none the worse off for it, of course. But what about the state?

A natural disaster struck the Maritime Territory. A hurricane damaged houses and tore off roofs, leaving many people without shelter. Tin, rolled metal and plywood were gathered from all corners of the land. A week after the building materials reached their destination, the Maritime Territory Soviet Executive Committee's trade administration requested permission to sell tin, rolled metal and plywood to foreign buyers. Were they, perhaps, looking to get rid of surplus materials? Hardly likely, since supplies of building materials are tight everywhere. Do you remember the king in the Shakespearean drama? His "caprice" was that he wanted a horse, and he offered half his kingdom for it. The people in the Soviet Far East also have their "royal" whims, but why would they want a horse? A foreign-made automobile would be far more prestigious today.

One could cite such examples one after the other—quite a few people have turned up who are looking to get rich at others' expense or, to be more precise, at the state's expense. They are by no means striving to improve production efficiency or to produce more in order to have above-plan output for export. They are prepared to trade anything and everything, as long as it benefits them. The heads of such enterprises consider themselves business people who have broken open a "window to Europe." And their employees are happy—their entrepreneurial spirit has been rewarded with consumer goodies that are in short supply. But let's be frank: Transactions of that sort are a striking manifestation of group egotism. One cannot help recalling Lenin's injunction to "combine...revolutionary enthusiasm...with the abilities of a sensible and competent tradesman...but to be a tradesman one must learn to conduct trade European-style." There's more than enough enthusiasm, and

it seems that almost everyone is prepared to engage in trade, but are they prepared to do their trading European-style?

Sensing a favorable moment, plants, factories, mines, research-and-production associations and collective farms have taken up commerce. Even those who would appear to have nothing to sell abroad have come up with a way to do some selling.

The Vinnikovskiy Collective Farm in Lvov Oblast, for example, exchanged potatoes it had raised for Soviet televisions, sold the TV's in Poland, bought clothing there and sold it at local trade fairs. The profits were breathtaking. We're lucky they didn't spend them to buy potatoes!

In 1988-89, so many raw hides were traded away through barter that Soviet industry is simply in dire straits today. And naturally, there are already tearful requests to buy leather abroad.

No doubt it makes sense to cite a short list of Soviet goods, raw materials and other materials that were exchanged for imported goods in just the period July-December of last year. Cotton quilt covers, sheets, fabrics, tablecloths, chocolate candies, electric irons, mixers, bicycles, natural leather, rolls of rubberized plastic, parts made of high-density cast iron, radiators, piston-cylinder blanks, ferrous scrap metal, aluminum, and copper cathodes. That is by no means a complete list—it was compiled from a random sample of customs declarations. And what did we receive in return? Audio cassettes, men's knitted underwear, cosmetics, upholstered furniture and building materials.

For objectivity's sake, we note that not all barter transactions are geared to importing consumer goods to the USSR. The others involve output that is more essential to the economy. For example, in exchange for 200 tons of parts made from high-density cast iron, the Azerbaizhan Petroleum-Machinery Research and Production Association will receive computer equipment from the U.S. to automate its production. The Magnesite Combine, which has exported refractory materials worth several million rubles, will be able to outfit its factory shops with up-to-date equipment. The Innovatsia [Innovation] Research-and-Production Association will also receive equipment and scientific instruments in exchange for items that were not selling well and for scrap metal. What's so bad about that?

As the great doctor and philosopher Avicennes said, however, everything is both poison and medicine, and only the dose determines whether a cure or fatal outcome will result. I believe that where barter transactions are concerned, there's been an obvious overdose. Conceived of as a useful thing, they often end up causing the country losses. Let's try to figure out why that happens. Barter transactions have a previous history. Previously, enterprises that exported their output received foreign currency for it—not all the currency that it had earned but a very scant percentage of it. What's more, the

collective couldn't do whatever it chose with the foreign currency. Foreign-currency bank deposits were quite often "frozen," making it economically unattractive to produce competitive output.

The situation was corrected in December 1986, with the introduction of industry-wide norms for foreign-currency deductions. In light industry, for example, it was initially set at 40 percent and was then raised to 70 percent. Ten percent of all foreign currency earned was credited to the branch ministry, and the rest went to the enterprise. Other coefficients were established for other industries, but there were none at all in certain branches. For exports of coal, petroleum and gas, for example, there were no such coefficients.

In order to give enterprises an incentive to seek additional commodity resources for sale on the foreign market, they were permitted to keep a full 100 percent of their foreign-currency earnings from foreign sales of output over and above state orders, as well as output in excess of control figures and contractual obligations. I'm not going to cite all the various resolutions (just listing them would take several pages), but priority was unquestionably given to purchases of raw materials, materials and equipment for the production of consumer goods, or to purchases of consumer goods themselves. But if goods of state importance were to be offered for export, an export license was required. Did that succeed in changing the situation and stopping the export of things that we needed ourselves?

"In part, it did. Unfortunately, in issuing a license, we're unable to apprehend lawbreakers, even if we exercise the greatest possible vigilance," said M. Popik. The application may indicate old and unusable casing pipe. When we contact the branch ministry we get a confirmation that the enterprise has fulfilled its state order. So what grounds have we for denying a license? But at the border, customs officials detain a shipment of brand-new pipe.

"And it's not the job of the ministry's employees to catch the sharp operators," says A. Kurenok, head of a sector that coordinates foreign-trade operations and ties, joining in the conversation. "Our job is to conduct a sound trade policy that is advantageous to the state. To get thoroughly conversant with the external market, specialists study it for years, monitor demand and prices and get to know trade partners. But our enterprises literally go into barter transactions blindly. One of them, for example, acquired Japanese buses at a cost 50 percent above world prices. There's no end of such cases. They don't study market conditions and they conduct the country's trade at a loss."

Is there anything surprising about that, if export-import operations are handled by an immense number of people without proper training? I was told how an employee of the Soviet trade mission in a European country shrugged his shoulders in amazement upon receiving a telegram that said: "Have obtained right to enter foreign market. Inform as to its location."

After hearing that bizarre story, I thought. Is that some kind of joke? But even if it were a joke, in some ways it's not too far from the truth. In translation from the English, "barter" means an "exchange of goods." Incidentally, that term has another meaning, but more about that later.

When specialist sensed that events were developing rapidly and were becoming difficult to manage, they organized voluntary "education brigades." They were reminiscent of earlier efforts to stamp out illiteracy, only this time the illiteracy was in foreign-economic activity. In addition to representatives of the International Bank for Economic Cooperation, they included employees of the USSR Ministry of Finance, the USSR State Committee on Labor and Social Questions, and the Bank for Foreign-Economic Relations. They traveled around the country giving lecture series at enterprises.

Things reached the point of the bizarre. In Stavropol the director of a certain enterprise—a respected man who had put a lot of effort into production—asked with annoyance: "The speaker keeps constantly using the term 'freely convertible currency.' Why conceal the fact that it's called dollars?" None of the speakers so much as smiled—they understood how tough it is to master the new occupation of businessman quickly, at one sitting.

But if the participants in barter transactions have difficulty learning the theoretical rudiments, there's no denying their gumption on the practical side. For instance, many of them understood that they would have more to barter if their state order were smaller. And that the thing to do is to barter everything over and above it. So a massive reduction of state orders got under way. For example, this year alone, enterprises have refused state orders amounting to almost 9 million rubles. It wouldn't be a bad idea for our economists and planners to do an analysis of precisely what above-plan, "surplus" output is leaving the country through barter channels. I put that word in quotation marks because it seems that at present we have no surplus of anything.

A clear tendency is discernible: The enterprises are persistently reducing the size of their state orders, with the support of employee opinion. And they are equally resolute in seeking permission to engage in barter transactions. In all honesty, it must be conceded that many of them obviously make no sense but get permitted "on an exceptional basis." I believe that the government deserves criticism for being overly accommodating, but one mustn't fail to reckon with the already established "technology" for obtaining, first permission to barter and then licenses. And the method is basically simple: The enterprises use the prestige of the People's Deputies as a battering ram. N. Ryzhkov has said this frankly and unambiguously:

"I can supply an official figure on the number of People's Deputies who make application for permission to engage in barter transactions."

A Stream of Iron.—The *Vremya* news program has shown how metal that was not approved for export has been detained at the border. When a customs official picked up a brand-new casting, the commentator explained that tons of such parts had very nearly gone abroad. Recalling the words of the International Bank for Economic Cooperation employee that it was physically impossible for them to catch all the shady dealers, I sighed with relief. There is a service after all that is able to close the gate and lock it when the country's interests require it.

At the USSR Council of Ministers' Chief Administration for State Customs Inspection I was told where, how much and what sorts of valuable raw materials had been detained at the border. The numbers are impressive but lower, to tell the truth, than those cited in a different report. That report shows millions of tons of scrap metal—ferrous, nonferrous, rare and rare-earth—had nevertheless been shipped out of our country in the first nine months of last year.

"There's no contradiction at all," said V. Boyarov, the head of the administration, in commenting on the situation. "The customs officials don't pass obvious contraband. But old steam engines, ships and other such machinery that has been scrapped and sometimes cut into pieces do make it across the border. We're not able to stop that stream of iron, nor do we have the authority to do so. If everything is legal—if a license to export scrap has been obtained, and the containers actually have scrap in them, then why should customs close the border? We have to act on the basis of existing, albeit imperfect, legal norms and not out of common-sense considerations."

Incidentally, common sense tells us that in view of the shortage of scrap metal for the Soviet metallurgical industry, it hardly makes sense to supply foreign countries so generously with that raw material.

"We could do a more effective job of combating violations," Vitaliy Konstantinovich continued, "if we had laboratories to provide us with rapid expert evaluations. Incidentally, such laboratories do exist at the customs offices of all civilized countries, and they pay for themselves in full."

V. Boyarov recounted a curious and quite indicative case. Customs officials saw some shovels that were slated for export. Strange products for export, of course, but it wouldn't be the first time. Maybe someone had become so carried away with producing excavators in foreign countries that they had completely abandoned those simple but, for a gardener, heart-warming implements. But on closer inspection, they proved to be less simple than we had first thought. The handles were normal, but the blades had a funny look about them somehow. We suspected that the shovels were made of titanium, which is not approved for export. But where could we check on whether it was titanium or not? Today, with research shifting to an economic-accountability basis, you can run

yourself silly going from one laboratory to another with faint hope of convincing a metals specialist to help. We need our own scientisits, experts, assessors and trade specialists.

To Change or Not To Change.—Can barter be abandoned? And most important, need it be? All of us suffer in part from the heresy of simple solutions. What if we were to forbid these commodity-exchange transactions under pressure of emotion—would we come out ahead? Some people's passion will abate, while others' will flare up. Enterprises are very interested in receiving the entire income from the transactions and in using it as they see fit—among other things, to provide incentives to their employees.

But let's try to look at the situation from a different perspective. In our country there is no freely convertible currency and no immense quantity of high-quality goods that could be sold on the external market. But there are scrap, worn-out equipment and old machinery. There's no sense pretending—if we don't exchange it for something useful it will rot and rust away in factory yards. Shall we act like dogs in the manger—deny both ourselves and everyone else? Doesn't it make better sense to find an economic compromise? True, we're exchanging things that could prove useful to us in the future, things that an experienced foreign-trade employee could actually sell—and sell for foreign currency. But for now, we apparently can't get by without barter trade. And if someone takes advantage of the imperfect regulations (and just where are perfect regulations supposed to come from, if we're just now gaining experience?) and exports something that's forbidden, that doesn't mean that we need to forbid barter transactions as such.

"They need setting to rights, and we're working at that," said V. Melnikov, deputy head of a department at the USSR Council of Ministers' State Foreign-Economic Relations Commission. "A working group has been formed—a group that includes representatives of the Ministry of Foreign-Economic Relations, the Chief Administration for State Customs Inspection, and other departments. The first proposals have already been made. We must change the licensing procedure, evaluate the goods and raw materials in terms of world prices, and know precisely what is being sent abroad, where it's going, in what quantities and at what price. We need to work out a system of customs duties and use economic methods—at times to encourage certain transactions and at other times to rein in the intensity of those transactions.

"Border trade requires special attention—it's in a state of even greater disorder," V. Melnikov went on to say. "Goods go in and out of the country by the truckload. Chelyabinsk Oblast conducts exchanges with China, and so does Leningrad—and all in the name of border trade."

And in conclusion, a word about the second meaning of the term "barter." In the figurative sense, it's used when

someone has traded his freedom or position for something less valuable. Check your dictionaries and watch your step, my fine "Red tradesmen."

Results of Initial Currency Auctions Assessed

90UF0064.1 Moscow EKONOMIKA I ZHIZN in Russian No 14, Apr 90 p 19

[Article by M. Yershov, candidate of economic sciences: "At the Approaches to a Currency Market: Thoughts About the Initial Currency Auctions"]

[Text] Since November 1989 foreign currency auctions have begun to be held in Moscow. The third auction took place on 21 February 1990. All the auctions have had the appearance of being experimental in character. For this reason evidently, attendance has been intentionally restricted, and sales volume at the auctions has been quite small—not exceeding 10 million foreign-exchange rubles. All this, for the present, of course, is far from being an up-to-date foreign currency market, providing a continuously operating mechanism for the exchange of dozens of different currencies with a volume amounting multi-millions of rubles a day.

Nevertheless, it may be expected that the initial auctions provide approximate indices of a realistic rate for the ruble. The rate of the foreign-exchange ruble with respect to the "domestic" ruble has risen from the first to the third auction by more than 30 percent, which is further from the realistic than the currently lowered official rate. The ruble rate at the auctions has reflected more than anything else speculative prices for a limited basket of consumer goods. The complex question of determining a realistic rate for the ruble, of course, should be decided on the basis of a comparative study of an extensive product list of export and import commodities, rather than being restricted to prices of imported mass consumption items in critically short supply. Otherwise the speculative nature of the auction rate is unavoidable. It is no accident that the foreign-exchange rate for the ruble at the third auction virtually coincided with the price on the black market, reaching a ratio of 1:21.

What will happen with the auctions from now on? How long will they continue to be breeding grounds, although government-sanctioned, for speculation in currency? Or are there any prospects for their transition to a more realistic economic basis? And what need be done to undertake such a transition?

It goes without saying that the success or failure of auctions, the scale of their operation, and their character will on the whole depend on how the domestic economic situation develops, the extent to which foreign economic ties develop, and how many traders take part in them. Without waiting for radical changes to take place on the larger economic scene, however, right now it would be possible to take certain steps to stimulate the development of the auctions.

In the first place, auctions should be held more often and involve a broader range of participants. It is necessary to stimulate the offering of foreign exchange currency. To accomplish this, the minimum amount proposed for the sale of currency, which is set for the present at a level of 50,000 foreign-exchange rubles, should be significantly reduced. At the earliest opportunity the currency of foreign corporate bodies should be permitted to be sold. To preclude the possibility of their misuse, ruble assets earned by foreign companies could be monitored, and supplementary commission fees charged as well.

The state can become an important source of currency available for sale. Moreover, its function need not be reduced to providing "injections of currency" to keep the auctions afloat. It could make use of the auction mechanism to partially resolve domestic economic problems, such as, for example, financing deficits. A major convenience in this respect would be the rapid receipt of the necessary sums. Moreover, under conditions in which an imbalance is discernible between the supply of goods and currency, any kind of rumors tend to create sharp fluctuations in demand that are extremely harmful to the economy. Under such conditions the state could make use of a part of the currency reserves to rapidly "siphon off" some of the surplus rubles from the population, thus putting out the fire of speculation. Ultimately, it would be possible to mitigate the seriousness of the need for monetary reform. In time it would be worth while for the state to adopt the mechanism provided by Western "open-market operations," using auctions not only for the sale but also for the purchase of currency in order to institute large-scale, macroeconomic regulatory control.

Now, a few words about the purchasers of foreign exchange. There is some apprehension that if production cooperatives and other holders of sizable assets in rubles are added to their number, then this might, at least in the short term, increase even more the existing preponderance of purchasers over sellers (at the most recent auction, the ratio was 4:1) and thereby put further pressure on the ruble. This possibility, however, scarcely poses a serious threat since the present rate already approaches the maximum for currently existing price relations even in the case of top-value import purchases.

Another matter of concern. If the deficit and inflation increase in the country, "forebodings" of a worsening of the economic situation in the country in the future will also increase. Naturally, in that event, the ruble will continue to decline in value, both for objective reasons, particularly a lessening of purchasing power, and for subjective reasons, associated with a loss of confidence in the ruble and the "flight" to alternative assets, such as foreign exchange, commodities, and so on. Confronted with a very low quotation for the ruble, many buyers will no longer be in a position to buy foreign exchange at very high prices. Sellers, for their part, will not be predisposed to sell foreign currency at auctions, preferring to hold it on account as a hedge against inflation or to use it to buy up commodities in

short supply. The possibility is not to be ruled out, moreover, that a substantial amount of foreign exchange will flow out of the country for the purpose of acquiring goods that are not always necessary but are simply more profitable.

One final consideration that pertains to the speedy introduction of market principles in our economy. Should not the issue be placed on the agenda today to consider the participation in currency auctions not only of corporate bodies but of individuals?

In sum, it is time to take a more vigorous stand in the holding of auctions so as to use them as an essential element of economic reform. It is to be hoped in this regard that mechanisms may be devised and adjusted that in time will serve as a basis for a foreign exchange market.

Pepsico Chief on Trade Deal With USSR

WA0405194990 Moscow *IZVESTIYA* in Russian
12 Apr 90 Morning Edition p 6

[Interview with Donald Kendall, chairman of the Pepsico board of directors, by *IZVESTIYA* correspondent F. Ivanov: "Pepsi-Cola in the USSR: A Three-Billion Dollar Contract"; date and place not specified; first three paragraphs are *IZVESTIYA* introduction:]

[Text] A general agreement was signed in Moscow between the Soviet Union and the American company Pepsico. One index which characterizes the scope of the deal—planned to the year 2000—can be seen in the 26 new plants in the USSR that will produce the popular soft drink.

The story of Pepsi-Cola's penetration of the Soviet market has been ongoing now for more than 30 years. The company first appeared in Moscow in 1959 at the U.S. national exhibit then underway. N. Khrushchev tried Pepsi-Cola during his visit to the exhibit. The first major contract between Pepsico and the Soviet Union was signed in 1971, according to which Pepsi-Cola concentrate deliveries were made to our country in exchange for Stolichnaya vodka. In 1974 the USSR began operating the first plant for production of the drink. Today there are already 24 such enterprises.

Donald Kendall has played a tremendous role all these years in establishing relations between the company and the Soviet Union, for a long time as president and over the past four years as chairman of the Pepsico board of directors. His signature also appears on the new general agreement. Our *IZVESTIYA* correspondent spoke with Donald Kendall immediately following signing of the document.

[Ivanov] Mr. Kendall, what does this contract provide for?

[Kendall] I see it as an event of the first order, of historical significance. It is the first time an American company—and it is Pepsico—has managed to conclude

such a long-term, large-scale deal with the Soviet Union. It is a more than 3 billion dollar contract. It enables us to make an even greater penetration of the Soviet market and lay the groundwork for our cooperation in the 21st century.

We are proud of our successes in your country—presently about one billion glasses of Pepsi-Cola are sold each year in the USSR, amounting to more than 350 million rubles. However, these figures will increase several times over by the end of the next decade. In accordance with the signed agreement, we are to build another 26 Pepsi-Cola production plants, modernize old production lines, and master production of new drinks developed by our specialists.

As was the case before, the basis of our agreement consists of barter deliveries of Stolichnaya to the United States. It should be mentioned that in spite of an overall decrease in the consumption of alcohol in America your vodka continues to enjoy steady and even growing demand. About a million cases of Stolichnaya are sold annually in the United States. We have jointly developed, specially under this contract, two new high-quality varieties of vodka for the American market—"Stolichnaya-Kristall" and "Privet." According to the agreement, incidentally, we will participate in modernizing your vodka and liquor production—although, honestly speaking, I believe our Pepsi-Cola and your vodka are products of the highest class. We have a saying in our company—"Your most important boss is the consumer." It seems to me this expression has also taken root at plants producing Pepsi-Cola in the Soviet Union. It is for good reason that one of these was awarded our special prize for quality.

[Ivanov] At first glance it seems the new agreement, although very large-scale, is somewhat traditional for our relations. Is this so?

[Kendall] Every time we sit down at the negotiating table, we strive to look into the future and find new forms of cooperation. So this time too we tried to bear in mind that we must find new paths for developing our ties. As you know, you presently do not have sufficient currency to be able to carry on direct trade. In order to cover the lack of dollars, therefore, we proposed to purchase 10 oil tankers from you, for use in international charter transportation. A certain Norwegian firm is our partner in this. Its specialists visited your shipyards and evaluated highly the quality of ships. I will tell you a secret—during the time preparation for the general agreement was underway, and this took about two years—we purchased six such ships, without waiting for conclusion of the contract, that had already brought the Soviet Union about \$200 million in net profit. Part of this will go to the purchase of Pepsi-Cola concentrate, and part to outfitting two Pizza Hut restaurants in Moscow which should open next summer. This is yet another new area of cooperation between Pepsico and its Soviet partners.

[Ivanov] How would you evaluate prospects for trade relations between the USSR and United States?

[Kendall] It seems to me there is a tremendous future here. It has never disturbed me, and does not disturb me now, that you lack currency and that the ruble is not convertible. You know, when American entrepreneurs complain about this, I always tell them—to wait until the ruble becomes convertible means to lose a tremendous market. We must work at it. I believe that all these years we have worked together fairly well. I am proud that our agreement was signed on the eve of a Soviet-American summit meeting. I even have a proposal for Presidents Gorbachev and Bush—let two bottles be put on the table at which they conduct their negotiations, a Pepsi-Cola and a Stolichnaya. It seems to me that this is the best symbol today of the cooperation between our countries.

Soviets Polled on German Unification

90UF0099A Moscow ARGUMENTY I FAKTY in Russian No 16, 21-27 Apr 90 p 2

[Unattributed article: "A Unified Germany: The Opinion of the Soviet People. 60 Percent of USSR Citizens Polled Favor Unification of the GDR and FRG"]

[Text] In recent times, the interest of the Soviet people has sharply increased, as has their concern, regarding the unification of the two German states. The root of the German problem is to ensure that its solution does not entail and does not lead to a destabilization of the situation in Europe and does not inflict a detriment upon the security of either side. In this plane, the step-by-step unification of the two German states may play an important role.

In order to better understand and to take into greater consideration the attitudes of our society in developing the foreign policy course of the Soviet state, at the directive of the USSR Ministry of Foreign Affairs Scientific-Coordinating Center, the USSR Academy of Sciences Center for Comparative Social Studies conducted a public opinion survey in March of this year, with a sampling taken from 9 union republics—the RSFSR, the Ukraine, Belorussia, Lithuania, Moldavia, Georgia, Kazakhstan, Uzbekistan, and Kirghizia. The survey polled 1,500 people. Among them, the number of men and women was about equal, representing practically all age and social-professional groups of the population.

The results of the survey showed that the majority of the Soviet people have a favorable attitude toward the possibility of unification of the two German states. This was reported by 60 percent of the survey participants. At the same time, 66 percent expressed their sympathies for the GDR, 42 percent for the FRG, and 23 percent and 36 percent respectively had mixed feelings. Dislike of the GDR was reported by 3 percent of those surveyed, while 11 percent expressed a dislike for the FRG. Of course, such data are no accident. They reflect the grim memories of Hitler's aggression and the great human and material losses suffered by our country. Twenty-four percent of those surveyed spoke out against unification of the two German states, and 16 percent were undecided.

REMEMBERING THE PAST

In such a situation we cannot help but consider one important aspect. The two German states, like the German people as a whole, have in recent years been able to prove their dislike for conflicts and wars. They have drawn the appropriate conclusions from the tragic national experience of totalitarianism, nazism and aggression. Evidently, this is why the effect of past conflicts on the level of social consciousness among the Soviet people proved to be lower than one might expect (on the whole, 40 percent of those surveyed indicated that these conflicts have a negative effect on their

attitude toward plans for creating a unified German state, 48 percent said they had no such negative effect, and 12 percent were undecided). This is yet another example of the magnanimous nature of our people and their faith in human reason.

The survey showed that the evaluation of the possibility of unifying the two German states depends directly on the age of those surveyed and their level of education. Young people were much more inclined to positively evaluate the possibility of unification than were older people. Of those surveyed who were under 30 years of age, 68 percent spoke out in favor of unification, and 18 percent—against.

It is interesting that the positive attitude toward the possibility of unification of the two German states is more characteristic of scientific and artistic workers, military servicemen and cooperators (from 70 to 77 percent), and less so of kolkhoz farmers and workers (from 51 to 57 percent).

In turning to an examination of the evaluation of conditions for unification of the two German states, we may note a very categorical character. Thus, in response to the question: "Do you feel that a necessary condition for unification of Germany is an affirmation of its existing boundaries?", 64 percent of those surveyed said absolutely yes, 13 percent said it would be quite preferable, 11 percent said to some degree, and 12 percent declined to answer. The most demanding on this question was the group comprised of engineering-technical workers, scientific and artistic associates, military servicemen and laborers (69 percent). The least demanding were kolkhoz farmers (28 percent). They accounted for most of the "I don't know" responses.

SHOULD UNIFIED GERMANY BE IN NATO?

In the opinion of part of those surveyed, the external aspects of regulating the German question must be resolved at a world conference of all the states of the anti-Hitler coalition (42 percent). Many of those surveyed related this problem to the competency of the two German states and the four victorious powers.

The Soviet people are very concerned about the future military-political status of the unified Germany. This became quite apparent during the survey. To the question, "Do you think that the unified Germany should not enter into any military blocks?", 67 percent of those surveyed answered in the affirmative and 16 percent—in the negative.

The survey showed that the Soviet people react quite acutely to the foreign military presence in Germany. Only 11 percent of those surveyed believe that in case of unification the Soviet forces stationed in the GDR should not be withdrawn from its territory. This opinion was held primarily by older people. The military servicemen expressed less support for this point of view (5 percent). Most of those surveyed believe that the Soviet forces should be withdrawn from the territory of the

GDR under the condition that all forces of NATO member states also be withdrawn from the FRG (45 percent). Twenty-two percent of those surveyed were inclined toward the opinion that Soviet troops should be withdrawn under condition of neutrality of the unified Germany and its rejection of territorial claims, while 17 percent favored unconditional withdrawal.

Most of the survey participants spoke out in favor of the development of friendly, equal and mutually beneficial relations with the unified Germany. As the most important and promising spheres of our interaction they pointed out trade-economic ties, cooperation in the

sphere of security, political dialogue, cultural and humanitarian exchanges, and scientific-technical cooperation.

Summarizing the results of the survey, we may consider that on the whole the Soviet people are quite realistic in their approach to evaluating the possibilities of unification of the two German states. In their majority, they believe that this question must be resolved under the condition that war will never again emanate from the German land, with the affirmation of the existing European boundaries by the unified Germany, and with its inclusion in the common European process.

Yugoslav Editor on East Europe, Germany, SFRY
90UF00724 Moscow PR.IU/DA in Russian, 12 Apr 90
Second Edition p 5

[Interview with Ranko Petkovic, professor, doctor of political sciences, and chief editor of MEZDUNARODNAJA POLITIKA, by Ye. Fadeyev (Belgrade): "It Is Too Early To Request a Requiem..."; passages in boldface as published]

[Text] Ranko Petkovic is one of Yugoslavia's leading political scientists. He is the author of 15 books on different problems of the present-day international community. He is a professor and a doctor of political sciences, and for over 12 years he has been the chief editor of MEZDUNARODNAJA POLITIKA, a journal published in six languages.

We agreed to meet in his office on Nemanina Street in the center of Belgrade. The topic of our conversation was to be the direction the CEMA countries have taken and the actual and possible consequences of the serious changes in these countries.

[Fadeyev] Eastern Europe is the scene of unprecedented changes, and the situation is also changing dramatically in some Asian countries. In short, many people feel that the indestructible socialist postulates are being destroyed like a house of cards. Would all of these changes have been possible without dramatic conflicts and problems?

[Petkovic] The assumption that has somehow taken shape in our society is that it is already impossible to save socialism with projects based on the common ideological and political ideas of the Marxist-Leninist doctrine. The use of these hypotheses, according to this line of thinking, is what led to the present crisis. One thing is clear: The current processes have identical or similar causes, but the methods of regulating them will differ. What has happened and is still happening in Poland or Hungary, for instance, differs from what is going on in Yugoslavia. Some of the East European states carried out their own unique revolutions, for example, while others were urged toward revolution when the Soviet Army liberated them from Fascist occupation forces. To put it more concisely, the processes of perestroika will take place much more slowly and will entail many more difficulties in the countries which accomplished their own revolution than in those to which it was "exported."

Another important distinction is that some countries have a homogeneous ethnic composition while others are multi-ethnic. Of course, it is much easier to reach a consensus on many matters in an ethnically homogeneous state. This means that changes will be easier to make in the ethnically homogeneous countries than in the Soviet Union, Yugoslavia, or China, which are multi-ethnic states. The inter-ethnic conflicts in your southern republics, just as ours in Yugoslavia (particularly in the Kosovo autonomous province), might turn out to be even hotter spots: spots where serious fires

might break out. There have already been several dramatic clashes, and I think there will be more in the future.

There is also the problem of the possibility that some countries will withdraw from the Warsaw Pact. There is also the possibility that it might be dissolved in line with the dialogue process. Finally, it is possible that the importance of the Warsaw Pact will simply decrease.

[Fadeyev] What do you think about the unification of Germany under these new historical conditions?

[Petkovic] First I have to say this: If the pedantic, meticulous, and disciplined Germans were unable to build a genuine socialist society, it would be difficult to argue that the existing model has withstood the test of time.... If the social changes could be measured on the Richter scale, the events in the GDR might be described as a strong earthquake. This is no exaggeration. After all, we must consider the historical, geopolitical, and military-strategic position of this country. Furthermore, we are speaking of no other nationality than the Germans!

[Fadeyev] Please explain

[Petkovic] The Poles could institute and cancel a state of martial law, and the Hungarians could close the border with Romania and open the border with Austria..., but it was not until the East Germans rushed to the Brandenburg Gate that Bush, Thatcher, Mitterand, and Kohl realized that the changes in Eastern Europe were more profound and more swift than they had seemed to be. In all probability, the danger of political tremors will continue to exist there for a long time. I would reserve my final judgment, but the German question already exists (and there is no getting around it), and it will necessitate specific, unhurried, and thorough discussion by many interested countries.

[Fadeyev] Should the institution of market elements and a multi-party system in the East European countries be viewed as attempts to save socialism or as symptoms of the restoration of capitalism?

[Petkovic] I do not think that the reforms are supposed to restore capitalism. This possibility would exist if the leadership of the ruling parties in these countries had been taken over by the kind of people referred to in Comintern and Stalinist terminology as "agents" of the capitalist countries. All of us know, however, that perestroika in the Soviet Union and the reforms in the East European states were launched for the purpose of renewing socialism.

It seems to me that socialism's emergence from the crisis under the present historical conditions will necessitate a market economy and different varieties of political pluralism. Because these are attributes of the Western civilization, it is obvious that the current processes attest to capitalism's present superiority to socialism or at least to certain attempts to save the socialist social system with tried and tested capitalist methods. We do not know

whether this opinion is correct because it now turns out that genuine socialism has never existed in any socialist country. Nevertheless, I feel that no final judgment can be made until we see the final results of the current reforms. I am already certain that the ideological definition of a society or a social model will soon lose its present significance.

[Fadeyev] Many people are inclined to believe that Yugoslavia is lagging behind the East European countries in these processes.

[Petkovic] They are right in some respects and mistaken in others. They are mistaken because it is impossible to ignore this fact: Yugoslavia was the first country to oppose the authoritarian system of government in the USSR and Eastern Europe back in 1948. It chose a pattern of socialist self-management capable of accomplishing the construction of humane and democratic socialism. Several forms of ownership—public, cooperative, and private—have existed for a long time in the Yugoslav economic system.... Another cardinal distinction is that Yugoslavia not only declined to join the Warsaw Pact in 1955 but also did everything within its power to promote the political doctrine of non-alignment. In general, I think this provides enough evidence that the SFRY is far from the last in line in the changes occurring in the East European countries. Still....

By offering the world, and especially those who saw the ideals of socialism as a way of freeing the individual, their own variety of socialist self-management, the Yugoslavs had a historic chance to prove that a humane and democratic society was possible. Regrettably, our federal republic did not prove anything to anyone.

[Fadeyev] Why do you think this happened?

[Petkovic] There is still no complete answer to this question, but it will be cleared up in time. Of course, there are objective and subjective reasons. If the matter were to be reduced to purely subjective factors, Yugoslavia would have to be accountable to some kind of imaginary international judge of history for dashing the hopes that the crisis of socialism could be resolved by means of socialist self-management and that self-management was the model of the humane and democratic society. This model failed, however, and the proof of this is the severe political, economic, and moral crisis Yugoslavia is suffering from today.

[Fadeyev] What do you feel are the sorest points of this crisis?

[Petkovic] The irreconcilable confrontation between republic and provincial national bureaucracies: The future of the federation is at stake.... The ruling party, the League of Communists of Yugoslavia, has effectively turned into a brittle coalition of squabbling "national parties." There appears to be no solution: Will the 14th (Special) LCY Congress, which was never completed in January, continue or not? If not, when should we expect the next forum, and should we expect one at all?...

Finally, there is a constantly pulsating sore: the problem of the Kosovo autonomous province. The constitutional order and territorial integrity of Yugoslavia are in jeopardy there.... I, however, am an optimist. Whatever might happen there, the present crisis does not seem that hopeless. The possibilities for rapid emergence from the crisis are more obvious than they might seem. All it will take is for everyone who has crossed swords to realize that a completely different time has arrived. Completely different prospects lie ahead....

[Fadeyev] Here is the last question. I read the following words in an American newspaper: When we remember how the "Prague spring" ended, we have to wonder how the "Prague autumn" might end. In other words, could the changes in the Soviet Union and Eastern Europe take a different direction?

[Petkovic] In reference to the stormy events in question, it is impossible now to find a complete answer to the question, not to mention a final answer. There is no doubt, however, that the development of the socialist countries, which were fettered for four decades by the dogmas of the Stalin-Brezhnev model of government, will continue. It will continue in each state with its own distinctive features and its own nuances (whether we like it or not). The events taking place in the socialist countries can break the barriers dividing the world and can bring the global interests of all mankind to the fore.

CSSR Ambassador on Soviet Ties, Situation at Home

90UFO0774 Moscow *IZVESTIYA* in Russian.
13 Apr 90 Morning Edition p 5

[Interview with Rudolf Slanskiy, Czechoslovak Ambassador Extraordinary and Plenipotentiary to the USSR, by S. Mushkaterov; time, date, and place of interview not given; "R. Slanskiy: Czechoslovakia Will Become a Democratic Country"]

[Text] As has happened before, history's turbulent upheavals are bringing new figures to the forefront of events—people of uncommon and nontraditional backgrounds. Rudolf Slanskiy seems to be such a figure. His name stopped appearing in his own country about 6 months ago because of his participation in the "Prague Spring" reforms and signing of "Charter 77." Today he is the Czechoslovak Federated Republic's ambassador extraordinary and plenipotentiary to the USSR.

[Mushkaterov] Your life took shape in such a way in the past that you had no occasion to work in the diplomatic service. Does this present difficulties, and does it, perhaps, facilitate your present-day work in some cases?

[Slanskiy] The lack of experience in diplomatic work complicates my situation, of course, but it always so happens in the world that part of the diplomats are professional, career diplomats, and part are politicians who shift to diplomatic work. The choice of one or another individual for a diplomatic position depends

upon a number of circumstances. Sometimes it is really political issues that are at the center of attention in relations between countries. Then preference is given to one who, perhaps, has lesser professional skills, but a somewhat more profound understanding of the crux of the problems that have to be solved. I was employed for many years as a worker and an engineer. I studied economic problems and, with friends, published the samizdat magazine EKONOMITSKA REVU. I was a dissident for about 20 years, and that gave me experience in political activity. I think that everything I have had occasion to encounter in life can only help me in my work.

[Mushkaterov] The relations between our countries are now entering a new stage. How would you describe their past course, and what would you like to see these relations be in the future?

[Slanskiy] The answer to that question depends upon the time period from which we begin our reckoning. For example, the Czech intelligentsia had tremendous interest in Russian culture at the end of the last century, back in the era of the Austro-Hungarian Monarchy. The works of Tolstoy, Turgenev, Chekhov, and other Russian writers were some of the first to be translated in Czechoslovakia. There were also political contacts, of course. Our best politicians understood that the country needed good relations with Russia, particularly in order to offset Germany's influence on our territory to a certain extent. Between the First and Second World Wars, our relations were developing, albeit slowly (diplomatic relations were established only in 1934), but they were good and stable ones. In 1935, there was signed a mutual assistance pact between our countries (including assistance in the military sphere), which, unfortunately, we did not manage to implement in 1938 because that pact was linked to a similar agreement with France, and the Czechoslovak Government did not then appeal to the Soviet Union for unilateral assistance. We remember what a part the Soviet Army played in Czechoslovakia's liberation from fascism. Czechoslovak military units and Slovak insurrectionists fought shoulder to shoulder with Soviet soldiers against the common enemy, both on USSR territory and in our land. Postwar relations also began to develop well between Czechoslovakia and the USSR.

However, these relations became more difficult with the outbreak of the "cold war." Czechoslovakia had to make the choice: With whom would it proceed thereafter. Czechoslovakia became part of the Soviet sphere of influence in Europe. Czechoslovakia accepted the Soviet political and economic model. But the negative aspects of this model subsequently began to appear. The country shifted from a democratic, pluralistic system of government to an authoritarian system, a totalitarian system to speak more precisely. In the economy, all industry was nationalized, and complete collectivization of agriculture was carried out. As a result, Czechoslovakia, which was among the top ten of the world's most developed countries before the Second World War and maintained that position up to the start of the 1960's, began to fall

conspicuously behind such countries as, for example, Austria, France, and Italy. At that time, it became clear that profound changes were necessary in the country's political and economic system. The reform process was begun in 1968 but, unfortunately, was stopped by the Soviet tanks which the Brezhnev administration sent. These destroyed the traditions of friendship that had previously existed between our countries. Indeed, it is impossible to be a friend to someone who does not respect you, and who bends you to his will by force.

However, that period is now behind us. President Havel's visit, the signing of the Declaration of Relations between the Czechoslovak Socialist Republic [CSSR] and the USSR, and the agreement on removal of Soviet troops from Czechoslovakia have become the beginning of a new stage in Czechoslovak-Soviet relations. Now our relations are developing like relations between two sovereign partners with equal rights. And this is not a slogan; it is a reality. As for the future, I, of course, would like to see the relations as good as they possibly can be. You know, we have very many common interests.

[Mushkaterov] At a press conference in Moscow, President V. Havel said that new bilateral agreements and pacts would be worked out on the basis of the declaration of relations between our countries signed during his visit. In your opinion, does this mean that the fate of all previous agreements is affected?

[Slanskiy] It is very difficult for me to express myself on this issue just now because no specific decisions of any sort have yet been made. It must be borne in mind that this issue affects both parties, and thus must be resolved with consideration of the mutual interests. More than 200 different pacts have been signed between our countries. Some of them, which concern specific problems, will remain without changes. However, dozens of other pacts have been signed, concerning, for example, ideological cooperation, or others, which are based on presumption of the Czechoslovak Communist Party's leading role and other preconditions that now, for all practical purposes, no longer exist. These pacts will have to be either annulled or substantially revised. Finally, there are the pacts that were signed at a time when Czechoslovakia did not have full sovereignty, and that it signed as a negotiating party without equal rights. It will be necessary to determine the fate of these pacts and express ourselves in their regard. Thus there is a great deal of work to be done, and completing it in a short time will be difficult. However, I think that the work will be started in the very near future.

[Mushkaterov] Events in Czechoslovakia are being followed attentively in our country. Many people are interested in what path Czechoslovakia will take, and whether the country will remain socialist, especially when it is considered that this word was taken out of the state's name quite recently?

[Slanskiy] Czechoslovakia will become a democratic country. This means that we shall have a truly multiparty

political system, in which there will be, along with the political parties, strong self-government structures in localities or at the corporate level: I have trade unions, entrepreneurs' organizations, and farmers in mind. It will be a country with a market economy. As for whether Czechoslovakia will remain a socialist country, another question must be asked in this regard: What do we have in mind as the concept of socialism? Czechoslovakia will not be a socialist country in the old sense of the word; it will not be a country with a one-party political system and an administrative-mandate [komandno-administrativnaya] economic system, and it will not be a country that is a member without equal rights of any politico-military alliance. It is becoming a country in which, not only the principles of freedom, democracy, and equality, but also those of social justice are placed at the base of state policy.

King Simeon Ponders Return to Bulgaria

90UF0068A Moscow RABOCHAYA TRIBUNA in Russian, 11 Apr 90 p 3

[Article by V. Khrustalev: "Is There a Chance for a Monarch? Claimants to the Bulgarian Crown Offer Their Services"]

[Text] "A voice from oblivion," one observer said, referring to a recent interview with King [Tsar] Simeon II Tyrnovskiy on Sofia Radio. The autocrat, who quit the country in 1946 at the age of 12, expressed a modest wish: He would like to visit Bulgaria and show it to his family.

Well now—such a desire is entirely natural. Timely, too, as the creation of the Bulgarian Democratic Monarchist Party amid the active politicization and democratization of society showed, although this act reverberates with irony. Does anyone still hope that the monarchy might be revived in Bulgaria?

The course of events in the political life of the country, however, is more and more noticeably impressing this spontaneous irony on the minds of people. The name of Simeon for one reason or another has begun with increasing frequency to appear in the pages of the newspapers, in broadcasts on television and radio, and at opposition meetings. In an interview with the autocrat in the popular broadcast "Bsyaka nedelya," this name was even accorded the honor of an angry rebuke by the government, which gave rise to a new wave of interest among the Bulgarians in the person of Simeon Tyrnovskiy II. A witticism circulating among the people is the king's response to a journalist's question: "In Bulgaria the expression 'He lives like Simeon' is used as a synonym for luxury." "That is charming," the ruler replied. "I have heard of it, but I think that at the present time there are others of whom it would be appropriate to say that they have been living well." The Bulgarians got the point. Zhivkov and his circle of followers have been wallowing in luxury.

The ruler's jokes are engaging, but Simeon demonstrates a clear preference for serious things. For instance, in an

interview with the newspaper OTECHESTVEN FRONT he gave a rather complimentary view of the changes taking place in Bulgaria.

In another interview, Simeon denied that he had ever said he would become a republican if Bulgaria chose to have a Swiss type of federation. For him the important thing was for the regime to be free and for Bulgaria to reflect the will of the people. He further elaborated by saying, "There is no point in looking for this or that regime. The issue is for the people ultimately to express their will." Nevertheless, the king could not resist the temptation to hint that he has excellent international contacts and, after 44 years of unjust exile, is capable of leading the country out of its economic crisis and state of isolation.

What he said was not simply idle talk, evidently, because a few days later the Christian Republican Party distributed a declaration in which it was seriously suggested that a referendum be held in the country to determine whether the people want to have a republic or a monarchy.

The local press service KURYER published an open letter by the Bulgarian Democratic Monarchist Party to the union of democratic forces in which it insisted on the restoration of the "civil rights" of King Simeon. "What kind of a democracy do we show to the world when we present an interview with the former monarch? However, we utterly avoid the matter of his banishment in his childhood. Do we have the right to discriminate against a child because he had the good or bad fortune to have been born a king?"

One may smile once again: Why should children of democracy not amuse themselves in this fashion? But the truth is, the restoration of the monarchy in some form or other is interpreted not only as viable but as a foregone conclusion. Before me is an issue of the newspaper RABOTNICHESKO DELO, which contains a letter from Gert Saltikor of Norway. Through the mass media, he says, he has learned that "the country plans to institute a monarchy as the state form of government. In this connection it is probable that you need a suitable person of royal antecedence as a claimant to the throne. I believe that I possess the necessary credentials for such a position."

The author of the letter goes on to present his genealogy, confirming ties of royal purple lineage with branches of the royal families of Norway and Denmark, and with forebears of the British throne, as well as with several Slavic principalities akin to the kings of the North. Mister Gert Saltikor made it clear that he is offering his services not for money or riches but only for the sake of the people and the country. He is prepared to assume his duties as of the summer of 1990.

That means, all joking aside, the monarchs have no intention of missing their chance.

Slovenian Separatism Examined

90UF01094 Moscow *TRUD* in Russian, 24 Apr 90 p 3

[Article by A. Poroshin, *TRUD* correspondent: "Ever Farther From Yugoslavia"]

[Text] When in January of this year the delegation of the Slovenian Union of Communists was leaving the meeting hall of the 14th (Extraordinary) Congress of Yugoslav Communists, few could have guessed that the republic had taken its first step toward seceding from Yugoslavia. This has not happened yet, but judging by everything, Slovenia has firmly embarked on just this separatist course.

It is difficult to say where it began. If we judge by the overall account, we may see that Slovenia has lived quite comfortably within federative Yugoslavia. Better than the other republics and krays. It was specifically within the make-up of socialist Yugoslavia that Slovenia became a modern republic whose industrial production, including electronics, successfully competes on the world markets. No one in Yugoslavia took away Slovenia's right to independence or encroached on its culture, customs or language.

I myself even got the impression that Slovenia even flaunted its national peculiarities too much. Let us take the following case, for example. A press conference is being held for foreign journalists, the overwhelming majority of whom speak Serbo-Croatian, but no one speaks Slovenian. Yet each time the Slovenian leaders, with the appropriate stipulations, open the press conference in their own language. We have not had occasion to encounter this in any of the other Yugoslav republics.

In short, I would not be so bold as to class Slovenia in the category of oppressed Yugoslav republics for whom life within the framework of a single federation has suddenly become unbearable.

By walking out of the Congress, at which the country's most current problems were being discussed, including also questions of the future state structure, the Slovenian delegation dealt a blow to the country's political system. And when several days later the Slovenian communists even gave a new name to their party, it became clear that they were staking the very existence of the Yugoslav Union of Communists, which had developed and defended its own path to socialism at the price of great efforts and losses.

Yet ultimately it is not a matter of names. Today the Slovenian Union of Communists is called the Party for Democratic Renovation. No union-level decisions have been made on excluding it from the Yugoslav Union of Communists. The leaders of the Slovenian communists themselves have announced that henceforth they have nothing in common with the former YUC. Thus, one more step away from Yugoslavia has been taken.

We are no longer surprised by the rapid change in political standards, party symbols, or state names. The

rejection of socialism, it seems, is becoming more the fashion than a social need. Therefore, the decision of the Slovenian authorities to delete the word "socialist" from the name of their republic came as no shock. Henceforth it has become simply the Republic of Slovenia. It became so in violation of all the generally accepted standards and legally ratified principles of the federative organization of Yugoslavia.

It is amazing that not one of the Yugoslav republics has encroached upon the authority of Slovenia, on its autonomy, sovereignty, or independence. From this decision to the total secession of Slovenia from the make-up of Yugoslavia there remains no more than a single step. Will it be taken at once following the example of some of our Baltic republics, or will the Slovenians allow reason to prevail and pursue a constitutional solution to this problem?

The events of recent days testify to the fact that most likely "the horse has taken the bit". Already now certain resolutions of the union government are not mandatory for Slovenia. Thus, it has categorically spoken out against the latest decision of the Union Executive Veeche (the SFRY government) on expanding the border zone from 100 to 1,000 meters. This measure was adopted to ensure greater safety of border residents, to prevent cases of illegal border crossing which have recently become more frequent, and to intensify the struggle against contraband transport of weapons and drugs.

The union government's measures do not contradict international legal standards, yet they have proved to be unacceptable only for Slovenia. The leader of the Slovenian communists, Cyril Ribicic, demonstratively headed up a protest meeting on this question at one of the Yugoslav border checkpoints, where he condemned the government decision.

If we proceed from considerations of the current situation, we may understand Ribicic. The elections to local organs of power are not far off in Slovenia. At these elections, the communists will fight for their places on an equal footing with other political parties. The sit-in protest of the Slovenian communist leader on the wet ground in direct proximity from the Italian border, thus, may be viewed as a publicity stunt for the purpose of attracting votes for his side. Yet it may also be a trial run of that decisive step which will lead Slovenia outside the currently existing political and state borders of the SFRY.

The Yugoslav Union of Communists did not fall apart after the departure of the Slovenian party. Today it is slowly recovering from the blow. Most probably, Yugoslavia will also not fall apart if Slovenia leaves its make-up. Yet will this step be in the interests of the peoples living in Yugoslavia, including also the Slovenian people? To break long-term cultural, scientific and economic, and surely also family ties with other peoples means to cut to the heart of a living organism whose

viability was for a long time ensured by all the republics and krays, and united under a single federative flag.

The separatist tendencies of Slovenia are not being perceived by many here also because they are being acted out in a period when the entire country has entered into a very important period of economic reforms, which not

only open the way for it to modern-day Europe, where Slovenia so fervently wants to go, but in fact ensure each republic unlimited political and economic independence. The actions of Slovenia, without a doubt, will significantly hinder the implementation of the economic reforms toward which all of Yugoslavia has strived for so long.

Soviet-Latin American Relations Examined

Moscow LATINSKAYA AMERIKA in Russian No. 1, Jan 90 pp 11-24

[Article by N. G. Zaytsev: "Perestroyka and the Prospects For Soviet-Latin American Relations"]

[Text] The years of perestroyka, with all the ambiguity of its results internally, gave a powerful impetus to the foreign policy of our country literally in all directions, including Latin America. In the last three or four years USSR relations with many countries in the region moved to a qualitatively different, significantly higher level than before. Places where our positions coincide appeared on matters of the further development of bilateral ties, as well as across a broad spectrum of international problems, including those of ensuring peace and disarmament, non-proliferation of nuclear weapons, creating peace zones, settling regional conflicts, restructuring of international economic relations, etc. On the whole, as M. S. Gorbachev fairly stated, in these years there opened up "unusual opportunities for closer and more productive ties with Latin America...".¹ The need to realize these opportunities was also discussed at the 1st Soviet of People's Deputies of the USSR.

It would seem that the future of our relations with the countries of the continent should not instill misgivings. But, in a relatively favorable period of development of dialog (mainly political) it is necessary to indicate quite frankly a number of problems and aspects that will inevitably exert an influence.

First of all, in our relations with the overwhelming majority of Latin American countries, except for Cuba, Nicaragua, and to a lesser degree Argentina and Brazil, there is no important economic base, either in traditional commerce, or in other forms of economic ties. In the past three years exports to the countries of the region (except for Cuba and Nicaragua) have stabilized at an extremely low level, and imports were represented mainly by a narrow range of goods of the "traditional" food variety. Declaring support for perestroyka on the official and other levels,² our potential partners in the region expressed concern that under these conditions the Soviet Union, being concerned with "putting in order" its own house, and normalizing relations with the U. S. and the other developed Western countries, will hardly give priority to developing ties with the Latin American states and the Third World as a whole. In connection with this, they also point to a possible reduction in purchases of Latin American goods, and a reduction in the amounts of Soviet financial and economic assistance to the countries of the region. Such fears arise, in particular, from analysis of the work of our noisy and, unhappily, thus far ineffective parliament, which is subject to emotions, and characterized by a low level of political professionalism. Elected officials are more and more frequently questioning the advisability of retaining

the former amounts of assistance to allies in Latin America and purchases of traditional export goods from them.³

Last but not least, the development of relations with countries in the region, and especially our ties with Cuba and Nicaragua, are still being apprehended with great concern in the northern part of America. Today's U. S. administration, not having changed the essence of its former political line (especially in Latin America), although it comports itself somewhat more calmly with respect to its perception of our policy in the region, does not forget to remind countries located outside of the hemisphere (read USSR—author) in no uncertain terms that "it is not an area for dumping their weapons or bankrupt ideologies."⁴ Let us leave these views to the consciences of their authors.

Based on the above, it seems advisable to analyze the underlying factors in the development of our relations with the countries of Latin America, and to assist their prospects in the political and economic fields.

In assessing factors of Soviet-Latin American rapprochement in recent years, one should begin, in our view, from two groups of objective prerequisites. One of these was formed in the domestic political sphere of the USSR and the majority of Latin American countries, and the other is associated mainly with changes in worldwide political and economic realities, as the external context of our relations.

It seems, although this conclusion may also appear to be rather contentious, that the Soviet Union and a considerable number of the countries of Latin America are gripped by imminent internal processes, at least according to their manifestations. The universal transition from authoritarian methods of rule to democratic methods has created a contradictory situation in the countries of the region. On the one hand, extremely unstable democratic traditions do not permit this process to be viewed as irreversible. On the other hand, democratization and "glasnost" have made it possible to comprehend in a new way their place and role in world politics, and to acquire the right to select partners and foreign policy positions, and become true subjects, and not only objects of international relations. The "educational process" in this respect was accelerated by the Malvinas conflict, in which not only Argentina, but also the majority of other countries of Latin America, felt themselves to be betrayed by their partner in the inter-American system, which occupied an anti-Argentine position, despite alliance obligations. The orientation of the U. S. toward solving conflict in Central America militarily, due to the extreme danger of this policy, led to the formation of the Contadora process, and to subsequent efforts by the participants in the conflict themselves to reach a peaceful settlement.

The development of the processes of perestroyka in the USSR, the new political thinking, rejection of authoritarian (command-administrative) methods of rule, and

all-round democratization of the social life of the country, were most important objective prerequisites in the search for new foundations and mechanisms of cooperation with the outside world, including with the Latin American countries.

Increased global interdependence can be considered the starting point for analysis of the external factors of relations with the region. This phenomenon, which we have long rejected, is predetermining in many respects the underlying essence of international ties. It is, however, legitimate to ask the question: Can one speak about interdependence as a determining factor of our relations with Latin America, under the conditions of the geographic remoteness of the region, and the lack of traditional stable mutual ties? It seems to me, nonetheless, that one can. First of all, the presence of allies in countries with which we have maintained close political and economic ties has had and continues to have serious weight in the global context of our foreign policy and foreign economic relations. Back from the times of the Bay of Pigs and the Caribbean Crisis, relations with Cuba, and soon thereafter (following the victory of the Sandinistas) also with Nicaragua, had a direct projection on Soviet-American relations. In the broader plane it also impacted on international relations as a whole.

In turn, the obvious improvement in American-Soviet relations in recent years created, despite the pessimism of the Latin Americans, a more favorable external environment for a positive evolution of ties of the countries of the region with the Soviet Union, although, paradoxically, the remnants of traditional anti-Communism and anti-Sovietism are, in a number of cases, turning out to be much stronger there than in the United States itself.

Our common interest in solving global and regional problems is becoming an important manifestation of Soviet-Latin American interdependence. Of course, the priorities of the USSR and the countries of Latin America differ, if only due to the unequal weight and degree of responsibility of the sides in world politics and international economic relations. However, leaving the differences aside, it is possible to distinguish a number of most important directions where our positions and interests, if not identical, are sufficiently close. Among these are: preserving peace and preventing a nuclear catastrophe; disarmament,⁵ especially nuclear, and use of part of the freed resources for purposes of development; nonproliferation of nuclear weapons; settlement of regional conflicts and creation of sub-regional zones of peace and cooperation; economic issues—stabilization of the international trade and currency systems, a just solution to problems of foreign debt, etc.

Finally, economic interdependence, although in a nascent form, is becoming rather notable in a number of directions. Thus, in some years the USSR was the main importer of Argentine grain and meat, and continues to be the main purchaser of pimento pepper in Jamaica, and one of the main purchasers of bauxites; at the same time, in Latin America the amount of electric power

produced using Soviet equipment is high; and Ladas, if only due to their low cost, have become a widely used automobile in many countries of the region. Such examples could be continued. A factor of interdependence (or rather, potential interdependence) is also the obvious complementary nature of our economies, both from the standpoint of the existing economic structure, especially in the raw materials sector, and the opportunities that are appearing for cooperation in modern fields of production and services.

Among the paradoxes which, however, operate in favor of growing economic interdependence, should also be included the tendencies displayed in the 1980s toward our common "marginalization" in the world economy. In Latin America they are expressed in the substantial drop in the region's share of world trade, and in the influx of investment and loan resources. As for the Soviet Union, this vexing state for us is based on our lag behind the Western countries in the development of advanced products and in the services sector, the stagnation, and in recent years even absolute decline, in the weight of the USSR in worldwide trade, and the growing domestic difficulties and well-known drop in the standard of living of the population. All this, as well as problems of access to the markets of the Western countries, including those problems that stem from the policy of protectionism and discriminatory measures (including politically motivated), and the clearly inadequate degree of participation in decision making on global economic questions, objectively bring together the positions of the USSR and the countries of Latin America in international economic relations.

I believe that these factors will operate also in the foreseeable future, contributing to the consistent development of our ties.

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What can be expected in the next few years from our political relations? Considering the considerable work done in anticipation, an assessment of the prospects in this area can be rather optimistic. Of course, there are also factors that operate against: remaining mutual lack of knowledge and/or insufficient information; traditional anti-Communism and anti-Sovietism of the ruling elites in a number of countries; concealed or open U. S. opposition to the development of our ties with the region, especially its central and Caribbean parts, etc. Nevertheless, on the strength of the above noted prerequisites, in Latin America a readiness is being displayed to embark upon further expansion of ties with our country.

Considering the growing evolution of the processes of interdependence, it seems that our relations, even in the political sphere, have not yet moved to their proper place. Moreover, as was already noted, a number of factors in the eyes of many Latin Americans seemingly pushed to the background the "value" of their region in USSR foreign policy. Data about the marked progress

and qualitatively new nature of our relations with a certain group of Latin American countries could be set off against this point of view. However, the fact remains that these relations, in terms of their dynamics, are lagging behind not only our foreign policy positions in other directions, but also from the realistically achievable optimum.

Of course, it is doubtful that the Latin American region, from the standpoint of our foreign policy (including strategic military) interests, will ever be comparable with the U. S., Western Europe, Japan, or China, not to mention the countries of the socialist community. However, reserves undoubtedly exist here as well. First of all, the USSR has "owed" Latin America a summit level visit. Whereas, all the way up to the end of the cycle of presidential elections in many countries in 1988-1989, such a visit could have been not only unproductive, but in some ways also premature, now we could prepare for one and have every chance of obtaining important results. It seems to me that such opportunities exist, as a minimum, in Argentina and Brazil (in the economic and political spheres), and in Mexico (in the political sphere).

This in no way means that our interests should be limited only to the large countries, although their leading role in the region is obvious. One of the main tasks of our diplomacy is to expand our circle of partners. Obviously, a matter for the immediate future will be normalization of relations with Chile.⁶ In turn, if in the more distant future, is the search for the first contacts with Paraguay. To the extent that further advance along the path of a peaceful settlement in Central America occurs, additional opportunities may appear for the development of inter-parliamentary, trade, scientific, and cultural ties with such countries as Guatemala and Honduras. Relations with El Salvador, under the conditions of the continuing civil war in that country, seem rather problematic.

In another direction, the Caribbean, an active search for new ties is needed. The Caribbean countries are a unique world, which differs in many respects from Latin America itself, and at the same time is most closely associated with it. Economically and politically the countries of the sub-region are playing a more and more important role in regional and world affairs. Here centers of "offshore" business are concentrated, and an integration process is actively developing. On many international (including economic) questions, the Caribbean countries take independent and rather active positions. In addition to relations with Jamaica and Guyana, it would be advisable to enliven our ties with Trinidad and Tobago, develop them with Barbados, and in the future also with the members of the Organization of Eastern Caribbean States. In this regard, the incorrectness of concentrating the efforts of our diplomacy on the large countries should again be emphasized. Minor countries simply do not exist, either in Latin America or in any other part of the world. The problems of middle-sized and small states, given all their specific natures, project directly onto worldwide problems, and their role

and place in global politics are frequently incommensurate with their territorial dimensions and economic potential.

The use of regional mechanisms, both economic and political, continues to be an important reserve. Such opportunities, although not of equal importance, exist as they apply to LAES [Latin American Economic System] the Andes Pact, the mechanism for Central American integration, and the Caribbean Community. It would also be advisable to establish contacts with the increasingly influential "Rio Group," the positions of which on the main questions of worldwide development are very close to our perestroyka approaches.

Strengthening of cooperation (on a bilateral and multi-lateral basis) with the Latin American countries, on the central questions of international relations, naturally including their regional component, seems promising. In the future, there could be added to this "basket" questions of the struggle against international terrorism and narco-business, and problems of the ecology, taking into account the special importance of the Amazon Basin and the Siberian taiga in maintaining the global ecological balance. It seems to me that in the foreseeable future the regional component will be represented, to a substantial degree, by Central American problems.

A mechanism of regular political consultations with individual Latin American countries appears very promising. In short, the groundwork laid for the future is not bad, and common efforts and a favorable domestic and foreign (worldwide) environment are needed to realize the existing opportunities, and overcome the difficulties.

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The future of our economic trade relations, which contain "considerable reserves," N. I. Ryzhkov noted in a dispatch to participants in the meetings of the Soviet and Latin American society, appears to be otherwise, at least in the next few years.⁷ Such statements, unfortunately, are just as "optimistic" as they are old. They can be seen back in the first documents of the UNCTAD Secretariat, which contain a comprehensive analysis of the problem of relations between the socialist and Latin American countries.⁸

Under present conditions the stagnation, and in many directions even reduction in the amount of our ties with the countries of the region (besides Cuba) can hardly be explained by the naive view that "the main obstacle in the path of intensification of Soviet-Latin American economic relations is international monopoly capital, which is trying to hold on to positions of unlimited domination in the economy of the region."⁹ Of course, no one likes competitors. Moreover, in some places in Latin America trade with the USSR is still viewed as a subversive act, and its participants may be subjected to concealed or open reprisals. But, just the same it is in no way a matter of the "intrigues of imperialism."

Let us try to look at perestroyka in the sphere of foreign economic ties through the eyes of Latin Americans, assessing the prospects for business ties with our country: Will perestroyka open up new opportunities or, to the contrary, limit the already not too broad former opportunities? The answer, of course, cannot be unambiguous. So far perestroyka often means for our Latin American partners a disruption of the traditional scheme of cooperation, and a loss not only of contracts, but also of contacts, and the appearance of a substantial number of new economic agents, who do not have either the experience, or, to speak frankly, the desire, to master a little known market. For the overwhelming majority of the almost 11,000 participants in foreign economic ties registered at the start of 1990, the priorities differ. Moreover, how reliable is the emerging Soviet business? This question is being asked in many other places besides Latin America, and it is also still not possible to give an unambiguously positive answer. As concerns centralized purchases of agricultural products (especially grains, raw sugar, meat) since we have taken up a policy of self-support, the long range prospects for their import from Latin America seem not too good. Meanwhile, already today many problems are caused by competitors from the U. S. and Western Europe, who are delivering grains and meats to the Soviet market at substantially lower, subsidized prices. The prospects for cooperation in the fields of power, mining, and other industrial branches, for a number of reasons, can also not be viewed as hopeful.

More and more often one can hear in Latin America that perestroyka, which is aimed at integrating the Soviet Union into the world economy, is leading to a situation in which our country will begin to divert to itself a substantial portion of the foreign credit and investment resources that could have been sent to countries of the region to ease their debt burden and stimulate the developmental process. Moreover, local exporters fear that they will not receive in our market sufficient benefits within the framework of the scheme of the USSR overall system of preferences (OSP) being planned.

For that matter, Latin American companies themselves are not moving into new forms of cooperation very actively, although they recognize their importance and promise. Thus, out of 940 joint enterprises created in the USSR by 1 October 1989, Latin Americans are participating only in 13 (Brazil 3, Venezuela 7, Panama 3). For comparison, let us note that, for example, Indian firms have established 15 joint enterprises. In turn, thus far only two joint enterprises are operating in Latin America with the participation of Soviet capital. Consequently, it can be asserted with a certain confidence that the short term prospects for our economic trade relations do not seem too favorable.

Does this mean that the future of our economic ties on the whole is just as joyless? We are inclined to give a negative answer to this question. Prospects undoubtedly do exist. The task is primarily to extract as large a number as possible of positive derivatives in the sphere

of cooperation from the two currently negative internal economic situations. Does this sound like wishful thinking? I believe not. The crisis should engender new initiatives and unorthodox solutions: otherwise it threatens to become permanent. Of course, there can be no magical recipes. Both the Soviet Union, and practically all states of the region, are behind, although for various reasons, in the area of integration into the new world economic structures. But, today a real structural perestroyka is taking place in the economies of many Latin American countries, especially those that are pushing forward, and achievements in microelectronics, advanced control and marketing systems, and new, and in some cases indigenous, technologies are being introduced. A "breakthrough" in the export of industrial goods is evident, and ties with the world economy are growing more complex and becoming more diverse and stable. The process of reconstruction of our economy is taking place similarly, although quite painfully, and not yet actively enough. There are also powerful objective incentives for the development of cooperation. Among them are our need for certain types of mineral raw materials that are in short supply, and for tropical agricultural products; the opportunity to use Latin American markets to promote Soviet industrial goods, and set up production and scientific and technical ties with local organizations and firms; support for requirements in the development of fisheries; prospects for involving the Soviet Far East in trade, etc.

In turn, the expansion and extension of economic trade ties with the USSR is viewed in the majority of Latin American countries as a definite alternative to strengthening their dependence on the U. S., and an opportunity, under conditions of the most acute debt crisis, to expand markets for the sale of their traditional and non-traditional goods, including machinery.

Under the conditions of growing interdependence, our economies truly do have something to offer one another. The weakest point, as before, is the insufficiency of businesslike inquiry, lack of an innovative approach to cooperation, and its "non-proliferation" to leading spheres of production and services. It is necessary to use all the tools and forms of foreign economic ties, without any limitations and exceptions, and adequately solve the problems of financing.

Fears about international financial resources being diverted for purposes of perestroyka seem unjustified, and perhaps even somewhat naive. The fact is that even under conditions of abundant international liquidity, commercial banks are showing extreme caution in extending new credits to the majority of Latin American countries. The volume of financial resources granted to the USSR through state and private channels during the years of perestroyka is relatively small, and differs little from the volume in the first half of the 1980s. The amount of foreign investments in joint enterprises, including investments from the developing countries, was only approaching \$1.5 billion by the end of 1989. For three years this is relatively little.

More serious is the question of creating special advantages for industrial goods imported from the Latin American and other developing countries, within the framework of a USSR national scheme for an overall system of preferences. In our opinion, such advantages are necessary; however, their specific content should derive from existing international practice, in order that, in creating real incentives for exporters from the developing countries, the norms and principles of GATT, in particular, are fully taken into account.

I would like to discuss certain aspects of our relations with Cuba and Nicaragua (naturally, without claiming to have analyzed them comprehensively). Quite recently the bulk of critical assessments of Soviet-Cuban relations came from American official and research circles. Today this topic is being actively discussed in our parliament, as well as at other levels. The subtext of certain statements, at times very close to the level of the average man, is roughly this: Why are we helping Cuba, Nicaragua and other developing countries, if we have many of our own problems? This posing of the question is in a way understandable, for under present conditions any unjustified diversion of resources can hardly be welcomed. However, it seems that the question of assistance must be examined in the context of the entire complex of relations with the mentioned countries.

Relations with Cuba have a long tradition. They have had their ups and downs, and the current stage would not be called a quiet one. But, even in the most difficult times (I speak as a student at Havana University in the late 1960s who is grateful to Cuba), the feeling of mutual respect, real equality, our non-interference in Cuban affairs (no matter what was said in Washington on this count), and close political cooperation, remained unchanged. It is clear that today we are not looking the same way at the specifics of building socialism in our countries, but matters have never gotten to the point of mutual sermons and unconstructive criticism. The visits by M. S. Gorbachev and E. A. Shevardnadze to Cuba last year again confirmed that we are walking on the same road on questions of principle, and our alliance relations are unbreakable. Consequently, namely history must be the point on the scale for any assessments of our relations with Cuba.

What is Soviet assistance to Cuba today? We, unfortunately, have never named the amounts, which enabled certain circles in the West to speculate with unconscien-tious calculations. And even today, as we regularly present data at various UN organs on our assistance to the developing countries (including Cuba), we still do not give a country by country breakdown either of the amounts of the main components of assistance—credits under advantageous terms, grants of technical services, preferential prices on exported and imported goods, as well as tariffs for transit shipments. The overall data are these: During 1981-1987 the amount of financial credit assistance for economic purposes alone was 74.8 billion

rubles, and in 1988 (figured in dollars) was \$19.9 billion, or 1.4% of USSR GNP. Some 0.21% of GNP was used to assist the least developed countries.¹⁰

Assistance to Cuba consists of a number of components: especially credits for implementation of projects (up to 2.5 billion rubles for the current five-year plan), and preferential prices on the main Cuban export goods, mainly raw sugar, and for the petroleum delivered to Cuba. Real assistance thereby is seemingly covered by prices that differ significantly from current world prices.

The need to give Cuba economic and technical assistance stems from objective causes, and is our international alliance duty. The reasons for the domestic difficulties that we are experiencing are not found in "assistance beyond our means to the developing countries," although ways to make them more effective must be sought, but in ourselves, in the low effectiveness of the Soviet economy.

A discussion of the amounts of assistance both to Cuba and the other developing countries should, obviously, be conducted according to the example of the Western countries—under the aegis of parliament, following preliminary careful study. In our view, we should reject the camouflage of assisting through the price mechanism, and proceed within approved limits to providing more extensive credit on beneficial terms, and granting subsidies and direct gifts in commodity and other forms. In this established international practice there is nothing unusual or offensive; it is simple, understandable, and clearly disciplines both the donor and the recipient of assistance.

Under the conditions of perestroika of our economic mechanism, it is necessary to distinguish clearly deliveries along the lines of assistance, and commercial operations. In the first case these, obviously, will be direct state orders, and in the second case, the result of ordinary commercial practice. As a result, as it is pictured, amounts of assistance that Cuba truly needs may be retained, and the mutual responsibility of the parties will grow significantly.

The system of our relations with Nicaragua was thoroughly disclosed during and from the results of the visit by E. A. Shevardnadze. As for assistance, including military assistance, it made it possible for this country to ensure its survival under conditions of essentially open aggression, supported and directed by the United States. The amount of our economic and financial assistance, including gratis deliveries, was more than 2 billion rubles in 1981-1988, and cooperation in creating economic development projects was 115 million rubles. Our exports to this country from 1984 through 1988 almost doubled, and constituted approximately 75% of Soviet deliveries to Latin America. It seems that, under the conditions of the consistent development of the process of a peaceful settlement in Nicaragua, and the shifting of the main efforts of the country to restore the economy, the central task should become to improve substantially

the effectiveness of our assistance, and actively seek opportunities to expand shipments to the USSR of Nicaraguan export goods (coffee, bananas, cotton, etc.), for which the Soviet consumer is experiencing an acute need.

It is necessary for our friends and allies in Latin America to take into account that the Soviet Union is experiencing a difficult, and in many respects decisive, moment for the future of the country, the future of socialism, and the socialist idea itself. We are again walking an untried path, relying partially on the trial and error method, but are not losing faith in the success of perestroika, for a politically and economically modernized Soviet Union will be able to give this world the new face of socialism, a new quality of life for its people, more stable political and military equality in the world, and, finally, greater opportunities for economic and social progress of the developing countries.

It seems to me that the progressive forces in Latin America should view the problems of the relationship of general human and class interests, and the struggle for peace and the lawfulness of the national liberation movements in the region, in namely this key. These questions are complicated and, as is already noted, often not correctly understood in the circles of leftist forces. Our logic is this: recognizing the priority of general human values is by itself an axiom of virtually any of the faiths, to modern philosophical schools, including Marxism. This, however, does not mean that the struggle for peace in the context of recognition of common human interests automatically eliminates the roots and sources of social and class conflicts. Of course, it would also be advisable to solve them in a spirit of high humanistic ideals. However, the logic of life is far from ideal.

The group egoism of the ruling and elite groups in Latin America, as a rule, does not take into account the strivings of the unfortunate, and the abyss between poverty and riches has a tendency to become deeper, and, consequently, to lead to still greater extremism. Under these conditions, both social and class protests are not only justified, but also necessary, precisely from the standpoint of the priority of common human interests, the most important of which—the right to life—cannot be ensured under conditions of poverty and social prostration. What forms these protests take is a derivative question. History, however, shows that the stronger the yoke of social injustice, the more forcible the forms of protest.

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How does the development of our relations with the countries of Latin America correlate with the movement on the path of Soviet-American political dialog? Some general considerations on this score have already been discussed above. The author has taken part in numerous meetings and discussions with American officials, representatives of business and scientific circles, and the mass media. The overall and, possibly, somewhat offensive

conclusion for our American colleagues amounts to the fact that they continue to view almost any advance by the USSR in the region, not to mention relations with Cuba and Nicaragua, through the primitive prism of a threat to U. S. national interests.

I am convinced that now no foreign policy step by our country in the direction of Latin America represents either a real or potential threat to North American interests, although it is not excluded that in the past certain measures could be interpreted in this way. Moreover, "threatening" situations in various countries of the region were provoked primarily by the foreign policy of the U. S. itself. Let us recall that Cuba proclaimed the socialist nature of its revolution soon after the aggression at the Bay of Pigs. The need for our military cooperation with Nicaragua arose as a result of the accelerated arming of the Contras, and the unleashing of aggression against the country.

It is believed that objective analysis will help change the still largely odious views held by U. S. official circles and U. S. society on the foreign policy line of the USSR in Latin America. In the event that any lack of understanding arises, it can be adjusted through the mechanism of political consultations between the USSR Ministry of Foreign Affairs, and the U. S. Department of State, a mechanism that has favorably commended itself. This mechanism so far is operating only in the area of discussion of Central American problems; however, if necessary the sphere of its action, in our opinion, could be substantially expanded.

If our policy with respect to the countries of the region became more open and predictable, and did not affect negatively the interests of third countries, then, obviously, one could expect reciprocal moves from the United States. In particular, the continuing economic blockade of Cuba and the embargo with respect to Nicaragua are a real anachronism. The restoration of normal economic ties with them could contribute to economic stabilization in these countries, and signify an indirect contribution by Washington to implementing the "policy of supporting perestroika," to which, according to a recent statement by the U. S. Secretary of State, and then also President Bush (in connection with the summit meeting in the Mediterranean), the American administration will be oriented. Methods of forcible pressure on individual countries of the region, not to mention cases of direct aggression, are also in no way included in the context of the new worldwide political relations that are taking shape.

A brief conclusion from these scattered notes can evidently be summarized as follows: Perestroika is opening up new opportunities for the productive development of bilateral and multilateral ties, at the same time not threatening the interests of third states. We have, on the whole, good prospects for our relations with the countries of Latin America. Both we and the Latin Americans should work on their practical implementation.

Footnotes

1. PRAVDA, 31 May 89.
2. At the same time, it is no secret that it is being perceived in far from the same way by our allies and friends in the region. Concern for the possible reduction of amounts of assistance to Cuba and Nicaragua is evident. Some representatives of leftist forces in other countries are speaking about a USSR retreat from the principles of socialism. Accordingly, not all our foreign policy initiatives are finding support and understanding. In particular, the recent Soviet proposal to establish diplomatic relations with all Central American countries caused a negative reaction from leftist forces in El Salvador.
3. See in particular the speech by N. P. Shmelev at the Soviet of People's Deputies (IZVESTIYA, 9 Jun 89), and an interview of Yu. D. Chernichenko in the journal LATINSKAYA AMERIKA (No 9, 1989, pp 23-30).
4. See "Secretary Baker, Latin America and the U. S.: New Partnership," CURRENT POLICY, Washington, 1989, No 1160.
5. The position of a number of Latin American countries, especially those that possess a military industrial complex, on questions of disarmament, is distinguished by a well-known duality. While they support disarmament initiatives, including in the UN, they refrain from acknowledging, under all kinds of pretexts, the need for their own practical contribution to this process.
6. Apropos of this, even taking into account the full gravity of the crimes committed by Pinochet, we should think about whether it is advisable in such cases to completely break (cease) relations with one or another country. Would it not be better to use strict, but at the same time, more subtle measures?

7. PRAVDA, 12 Oct 89.

8. See, in particular, Document TD/24?/Supplement 2, 10, of April 1979.
9. LATINSKAYA AMERIKA, No 6, 1988, p 3.
10. See: Document TD/B1191, 23 Sep 88, p 5.

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Contras' Reluctant Demobilization, Treaty Violations Assailed

90UF0105A Moscow PRAVDA in Russian, 20 Apr 90
Second Edition p 5

[Article by V. Listov, PRAVDA special correspondent, Managua: "The Instructions of Comandante Roberto"]

[Text] Only a few days remain until power is handed over in Nicaragua: on 25 April Violeta Barrios de Chamorro will assume the country's presidency. Will

this act take place in an atmosphere of calm or will the tension remaining from the elections grow even worse? This will depend largely on whether success is achieved in getting the contra units to live up to the agreements on demobilization.

Talks on demobilization of the contras have just started in Managua; the participants include seven combat commanders and political leaders of the "Nicaraguan resistance"; J. Cuadra, head of the general staff of the Sandinist People's Army (SPA); as well as representatives of Nicaragua's new president, the UN and the Organization of American States. This meeting is "technical in nature." The parties are discussing issues related to the signing of the cease fire agreement, the determination of a schedule for the demobilization of the contras and the establishment of five "security zones" where their disarmament must take place. As J. Cuadra noted, the deadline previously set for demobilization of the contras—April 25th—may be postponed due to lack of personnel in Nicaragua from the UN International Forces, under whose control this process must be carried out.

At present it is difficult to say whether the participants in this meeting will achieve mutually-acceptable decisions, especially because it is taking place under difficult conditions: the contras are continuing to violate the cease fire agreement, they are laying ambushes on the roads and attacking units of the Sandinist People's Army. In the Jinotega and Chontalez departments bands of contras are terrorizing the population.

The increase in contra activities has been accompanied by a hardening of the position taken by their leaders, who only a few days before power is to be handed over to the new government are refusing to fulfill the demobilization agreement signed in March in Toncontin (Honduras). Now they claim that they will agree to disarm "only if the new government replaces the higher officers of the SPA, those with the rank of colonel or above." By putting forward new demands which they know to be unacceptable—demands which are in the nature of ultimatums—they are threatening the process of national reconciliation in general.

It is hard to avoid noting that the contras are conducting a double game. For example, at a recent meeting held in Honduras with a delegation from the new government (it was headed, incidentally, by a man named Ferrey, who in the recent past was a member of the contras' "political directorate"), the contra leaders pledged to disarm up to a thousand of their fighters located in that country (according to official data, there were about 4,000 of them in Honduras). However, on the very next day statements were made which overturned all the agreements on demobilization. At a meeting with foreign correspondents "Leader Number One" Israel Galeano (Comandante Franklin) stated plainly that he did not intend to lay down arms.

The goal of the various "talks" and of bellicose statements of this kind is to play for time. It is no accident that D. Ortega characterized the contra maneuvers as attempts to foil the fulfillment of obligations which were confirmed once again by an agreement of five Central-American presidents in Montelimar (Nicaragua) in early April. At the present time the country is, in his words, "as close to peace as it is to war." D. Ortega recalled that in Montelimar the new president of Honduras, Callejas, pledged to disarm 4,000 contras, who have become entrenched in the camp at Yamales and another thousand who are in the Mosquito area of Honduras. A total of two weeks have passed, and suddenly it has become clear that in Yamales the surrender of weapons by only 1,000 contras is planned, and that is to be mainly by the injured and invalids. This means, D. Ortega emphasized, that the rest have managed to move into Nicaraguan territory and do not want to disarm.

The new government is gradually giving way in the face of the contras' aggressiveness; already it is failing to meet its obligations. The Protocol Concerning the Transition Period, signed on 27 March by the Sandinists and representatives of the new president, took note of the need for unconditional demobilization of the contras before 25 April. The document states plainly that demobilization is the "main element" in the creation of a climate of peace, stability and calm in which the transfer of power must be carried out." Nonetheless, representatives of the new president are conducting continuous talks with the contras about the deadlines for demobilization (as if they had not been specified!), about the "security zones," where they should be concentrated, etc. The new regime itself is recognizing already that the demobilization of the contras will not be carried out before 25 April.

Another aspect which constitutes a new factor in the situation developing in Nicaragua is that the contra leaders now state that their units in Nicaragua will be demobilized "only after talks with the new government" and that the discussion must be about "reconciliation" and not about the immediate surrender of weapons.

One of the former contra leaders, a certain "Calipha" (Jose Alejandro Gonzalez, who surrendered after the amnesty), shed some light on the contras' goals and intentions. It turns out that all steps supposedly taken by the contras in the direction of national reconciliation are

nothing but a game, and all of their actions were planned in advance. According to "Calipha's" evidence, on the day after the demobilization agreement was signed in Toncontin, Comandante Roberto gathered together on the Corona estate in Honduran territory about 300 contras for secret "instruction." Here are some of the points, which the participants at the gathering received from Comandante Roberto:

- all contras capable of fighting should hurry onto Nicaraguan territory because the agreement signed in Toncontin applies, he claims, only to those contras who are in Honduras;
- on 25 April, the day that Violeta Chamorro assumes the presidency, a new meeting is to be held by contra leaders to determine what further action to take;
- they should refuse to hand over arms to the "blue masks" and as a condition they should demand the "simultaneous and symmetrical" disarmament of the SPA;
- up to 25 April and after that date they should continue the tactics of guerrilla action, but without the use of weapons; they should accumulate ammunition and stocks of food and medicines.

As we see, the current bandit sorties were planned as long ago as March, and maybe even earlier. Today, however, the contras are only following instructions which they have received.

The contras' rejection of demobilization and disarmament meets with increasingly open support from the revenge-seeking circles. The position of rightist extremists in the Opposition National Union essentially links up with the contras' position. As a result the new government, which has not yet started to rule, has already found itself on the horns of a dilemma; it is caught between a new bloc being formed of the extreme rightist forces and the contras, on the one hand, and on the other, the SPA and forces of public order, whose "integrity and professionalism," it has pledged to respect, having signed the Protocol of the Transition Period. Now everyone sees that the main goal of the Nicaraguan reaction is to dismantle the SPA and replace it with bands of mercenaries. This is not simply an attempt to take some sort of revenge for the military defeat of the contras; it is also a threat to national reconciliation and to the prospect of political stability in Nicaragua.

Correspondent Describes Visit to China, Status of Reforms

90UF01011 Moscow SOVETSKAYA ROSSIYA in Russian 17, 18 Apr 90 p 3, 5

[Serialized articles by Yu. Kornilov: "China Today"]

[("Both the Plan and the Market", Second Edition 17 Apr 90 p 3)]

[Text] On the calendar of the most important international events coming up in the second half of April is the official visit to the USSR by PRC State Council Premier Li Peng. This visit marks the continued improvement and development of Soviet-Chinese relations. In this connection, the editors have received many letters asking us to tell about the current stage of Chinese reforms, and about the changes which have taken place in that country in the year which has elapsed since the stormy and dramatic events in Peking. We are publishing the article by a TASS political observer who recently visited China as part of the USSR Union of Journalists delegation. This article was written for SOVETSKAYA ROSSIYA.

Peking is always beautiful. It is especially beautiful in the springtime, when the cherry blossoms in the capital city's parks blaze with whitish-pink splendor, and the rays of the not-yet hot sun play on the time-worn tile roofs of the ancient palaces. A dense stream of cars races along the city's wide avenues, overtaking an even denser stream of bicyclists. The store shelves are overflowing with goods. In front of the fashionable hotels which in recent years have grown up in abundance in the capital are the Toyotas and Mercedes of Western businessmen, along with tourist buses, convincingly refuting the affirmations of some outside observers who say that "Peking has become barren" after the tragic events in Tiananmen square, since foreign travelers feel it is better to by-pass China.

Yet even though the echo of the tragedy which took place a year ago is barely audible in the capital, the changes and shifts taking place in the country are becoming quite apparent when we listen to the speeches of Chinese leaders or leaf through the pages of the newspapers. Today the appeal for stability has been placed at the forefront. "Without a stable political environment and unity, it is impossible to build an economically strong China," the press quotes the announcement of the PRC Central Committee Secretary General Jian Zemin, who was recently also elected chairman of the PRC Central Military Council.

Those people with whom we spoke in China stressed again and again: The basis for political and social stability is a healthy economy. It is specifically continued and progressive economic growth which is the fundamental guarantee of socialist development. Only there, where the economy goes uphill and the people see that their life is improving, only there will there be a strong base for maintaining and strengthening social tranquility.

Characterizing China's economic achievements in his conversation with our delegation of journalists, PRC State Council Premier Li Peng presented the following data. While in the year of liberation the country produced 150 million tons of grain, today this figure has reached 400 million. The PRC produces 60 million tons of steel per year, mines more than a billion tons of coal, and produces over 580 billion kilowatt-hours of electrical power.

That is so. However, Li Peng also stressed that beginning in 1985 the country's economy has exhibited excessively rapid rates of development, the result of which has been a disproportion between accumulation and consumption. Inflationary processes have also made themselves known (in the past year alone prices have increased by an average of over 17 percent). It is true, of course, that the foundations of national industry have been laid in China. However, the per capita steel production comprises only 7 percent of the Japanese production and the production of electrical power comprises 4 percent of the USA level. The Chinese press writes with alarm about the other serious problems which the country is facing. Among them is the low economic effectiveness of numerous enterprises, the decline in sales of products on the domestic market, and the continued increase in the 3-million man army of "waiting for work."

This leads to the demand for "regulation" and ordering of the economy, and to the need for an entire series of serious, sometimes drastic, measures directed at revitalizing the national economy and bringing about the necessary order. Among these are measures for regulating the output of the monetary mass and strengthening control over the process of price formation, stimulating scientific-technical progress and increasing employment. There is also the struggle against "levelling tendencies" in investment for the purpose of concentrating funds in those sectors where they can give the greatest return (construction of 18,000 facilities has already been halted and put aside). All this, obviously, does not replace reforms, but on the contrary, is called upon to create conditions for their intensification and development.

Yet regardless of how important economic measures may be in ensuring stability, a no lesser, and perhaps even greater importance is currently being ascribed in Peking to measures of a political character. Those with whom we talked persistently stressed the need for an overall intensification of party management and political-ideological work among the masses under the current conditions. The brunt of this work would be directed toward the struggle against the "rotten wind of bourgeois liberalization" which has penetrated into the country.

One of the basic principles of Chinese economic reform is the combination of a planned economy with market regulation. This postulate was not immediately acknowledged in China. There were and still are today in the

country certain influential economists who are convinced that specifically the possibility of central planning is the most important and unique advantage in the socialist method of economic management and that, resting on this advantage, the country's economy should move ahead. Others, on the contrary, believe that reforms will not develop or bear real fruit without the broad and comprehensive introduction of market principles into the economy. "Experience and practice testify, however, that while strong centralism curtails economic development, a pure market economy may in turn give rise to economic confusion and even chaos, and lead to social tension," says Gao Cangquan, vice-chairman of the PRC State Committee for Reorganization of the System of Economic Management. "Only a well thought-out, well-planned combination and coordination of both of these principles promises and guarantees success".

How is such a combination of plan and market being implemented in practice? That was the subject of an in-depth discussion in the leading industrial center of China, Shanghai, at the country's largest watch factory. The enterprise about which we speak was built with the assistance of the USSR in 1955. At that time it was undoubtedly a most modern plant. But time passed and the technology brought from the USSR became outdated and worn. The product went out of style.

"The situation began to change 10 years ago, when the country assumed a course toward sharp economic reforms and toward maximally liberating the enterprises from the departmental-bureaucratic red tape which hindered them," says plant partkom secretary Qiao Quansheng. "How has the plant been working in recent years? We get only two indicators from the center, which we must use as our guidelines: The production plan for the 5-year period in yuans and the same plan—in hard currency. If we overfulfill the plans, up to 60 percent of the above-plan income remains for the enterprise. And we practically always overfulfill them. After all, the plans, I repeat, were compiled for the 5-year period and are not subject to corrections, while the plant is expanding from year to year..."

This is the main thing, but this is not all. In past times the plant could not place into production even a single new watch model without coordinating this step with the ministry management. But now? The enterprise management, its partkom and its collective not only determine the product assortment, but they even conduct negotiations themselves with the suppliers of parts and raw materials. They themselves directly enter the foreign market, concluding contracts for the sale of products and making the necessary purchases. Last year alone there were 37 businessmen who visited the plant—representatives of foreign companies, and almost all of them signed some kind of agreement.

"The plant almost always has considerable sums of money at its disposal now, including also in hard currency, which we spend as the collective sees fit," continues Tsao Tsuanshen. "A significant portion of these

funds, of course, goes toward modernization of production. Recently, for example, we purchased a batch of the latest equipment in Switzerland for the production of ladies' watches. However, sizeable sums are allocated also for social needs. We are building housing, increasing the wages of the most experienced workers and specialists, and have allocated over a million yuan to raise pensions for veterans. Some may think that such expenditures do not give a direct and real return. That is not so! Today our plant is well-renowned in Shanghai not only as an enterprise which manufactures good products, but also as one which cares about the people, about their life and everyday existence, and which strives to reward them in a worthy manner for their conscientious work.

Noting the importance of material incentives such as wage increases at the expense of above-plan surpluses and profits, premiums for shock labor, etc., for the successful development and modernization of the economy, the managers of Chinese enterprises at the same time stress the no less, and sometimes even greater, importance of moral incentives. At that very same Shanghai watch plant (as, we might add, also at other enterprises) one may see large portraits of a young man in a military uniform hanging in the shops. This is Lei Feng, the political leader of the Chinese People's Liberation Army, whose name thundered through China in the 60's. What is he famous for, and how did he distinguish himself? Having written in his diary that he would all his life be the "unbendable steel screw of Chairman Mao", Lei Feng was always ready for the most difficult and selfless labor. In 1962 he perished while saving government property during a fire. He was declared "the undying example of self-sacrifice and devotion to the people", and the "Great Leader" himself presented the slogan: "Learn from Lei Feng!". Later this slogan was forgotten, but now it has been reborn, and the plant's partkom sees one of its most important tasks in involving as many people as possible into the number of active followers of this hero.

"Yet is the resurrection of an old slogan about 'steel screws' justified today?"

"Because something is old certainly does not mean that it is bad. The people must have ideals. And under the conditions of industrial production, the appeal to 'learn from Lei Feng' is an appeal for every person to work in a shock manner and to help the one who lags behind..."

"Obviously, the 'human factor' is the primary condition for success of the reform," Shanghai Deputy Mayor Liu Zhenyuan told me. "But the course of reforms will slow down if we do not achieve a simultaneous and parallel comprehensive modernization of production. One of the important aspects of this course is cooperation with foreign companies, creation of joint enterprises at which our workers and specialists will not only assimilate new engineering and technology, but will undergo schooling in the management of current production. There are already over 700 such enterprises in Shanghai. However, particularly rich experience in the implementation of

this policy of openness has, of course, been accumulated in the special economic zones, which I strongly suggest you visit..."

[**"Next Door to the 'Dragon"', First Edition 18 Apr 90 p 5]**

[Text] This is how it was: On a plain at the foot of some low mountains there was a little God-forsaken Chinese town—tile-covered roofs, dusty narrow streets whose only decorations were the motley signs of the shabby little stores. Ten years ago the builders came here. The excavators tore into the sun-baked ground. The metallic arms of the boom cranes raised up on the shore of the bay. If today, 10 years later, we look around from the rotating observation platform constructed on the roof of the international trade center, we would not recognize the city of Shenzhen. Skyscrapers of concrete and glass have grown up on the vacant lots, the signs of the banks and business offices shine in gold, and in the port there are tens of vessels under flags of different countries. Shenzhen is the capital of one of the "free economic zones" created in China.

"The creation of such zones was from the very beginning an important component part of our reforms, and the first step made in this direction here, in the south of the country, has fully justified itself," says the vice-mayor of Shenzhen, Qin Wenzun. "Judge for yourselves. In 10 years the city's territory has grown from 2 square kilometers to 60, the population has exceeded a million, and the volume of industrial production has increased by more than 200 times. Today Shenzhen is a large industrial center which supplies to the Chinese and world market hundreds of first-class products—from shoes and toys to fabrics and electronics, and which by its rate of development is already surpassing such famous "little dragons" of Asia as Hong Kong and Singapore."

How and at what expense is this being achieved? The "recipe" is no secret, and its essence consists of the fact that the government, having declared Shenzhen a free economic zone, has adopted a number of legislative statutes which create especially favorable conditions for the investment of foreign capital. These laws, the relative cheapness of Chinese raw materials and labor in combination with the obvious geographic "plusses" of the region (good natural port, proximity to Hong Kong) have facilitated the situation whereby foreign companies have begun to energetically "assimilate" the "zone" offered to them.

One such enterprise is a modern bicycle plant which was built in 2 years. It has three equal owners: The Chinese state-production association, Hong Kong and American companies. The enterprise manufactures over 800,000 machines annually, and over 90 percent of them are for export to the USA and Italy, Japan and the FRG. A member of the enterprise management council, as well as secretary of the plant partkom, Qian Zhengxiang tells enthusiastically about how the collective conquered the market one step at a time, beating out the competitors. Yet his narrative is not all expressed in rosy tones.

"Although Chinese laws are in effect in Shenzhen," continues Qin Wenzun, "certain Western firms are stubbornly trying to circumvent them and introduce their own standards and rules, directed at marginally increasing the degree of exploitation of the workers. We know, for example, of a case where a certain Hong Kong entrepreneur—the owner of a controlling share of stocks in a toy factory, arbitrarily introduced an 11-hour work day at the enterprise and began to mercilessly dismiss those who tried to protest against this capitalist "innovation". Considerable efforts on the part of the authorities and trade unions were required before a normal work day was restored at the enterprise."

"And we are speaking not only about such 'disruptions,'" notes the vice-mayor. In opening the windows to the outside world, we have understood this fact: Through these windows, not only may beneficial birds fly in from the West, bringing in their beaks currency and valuable technical experience, but also harmful mosquitos and flies. That is what happened. Here, in Shenzhen we, the communists, must not only maintain the course toward modernization, but with redoubled energy wage the struggle against bourgeois liberalization, against such evils as monetary fetishism, national nihilism, and worship of bourgeois pseudo-democracy. The centers of corruption, misappropriation, and bribery present a particular danger. However, we are not the only ones experiencing an increase in the crime rate. Last year the country's procurator's office investigated over 100,000 cases associated with misappropriation and bribery, and over 30 of the most vicious criminals were executed..."

After the suppression of the mass disorders in Peking by the authorities, in a number of countries, and primarily in the USA, there resounded, as we know, appeals for economic "sanctions" against the PRC. What effect did these appeals have on the Chinese policy of openness? "A certain reduction in economic contacts did occur," they told us in the Shenzhen international trade center. "But business is business, and most Western companies are certainly not inclined to turn down profits. Today business contacts with foreign companies are being restored. Here are the countrywide data: In the five special economic zones created in China, over 5,700 enterprises and other facilities have been built or are being built with the participation of foreign capital. The volume of export of products manufactured by these enterprises has reached almost 4 billion yuan, which comprises one-tenth of all Chinese export."

In the early morning, when the sun barely begins to light up with gold the grey waters of the Pearl River, a strong dark-haired man in blue overalls rides up on his bicycle to an old building in one of the central regions of Guangzhou. "Good morning, honorable Se," the workers greet him. "How shall we divide up the assignments today?"

Xie Zhunyu is a private owner-entrepreneur. He was born and raised here, in Guanzhou, in the family of a small shopkeeper. He graduated from a 2-year technical school. About 10 years ago, after the start of the reforms, he opened a welding equipment repair shop. The city was built up, and new enterprises were developed. Welding equipment was needed everywhere. Clients began coming to Xie. After several years the shop already employed over 50 people, and later their number grew to 180...

"Private enterprise is permitted by law here. The state even helped me with a loan, and now we not only repair, but also manufacture welding assemblies of my own design," says Xie. "These units are prized for their reliability and faultless operation. We were even able to export several units. Who works for us? I select the workers myself. I try to find people who are conscientious and who love technology. After all, there are many competitors, and the only way to survive is to assure high product quality..."

At the entrance to the shop stands a bamboo table. On it is the traditional thermos, blue tea cups, bills and folders with papers.

"Is this the control desk?"

"I do not have such a desk. Like everyone else, I work at the machine tool all day. Our 'bureaucratic apparatus' works behind this desk—the bookkeeper, who also serves as cashier..."

The schedule in Xie Zhunyu's shop is strict. The work day lasts until dark, there are no paid vacations, and no trade union organization. But the people are not upset. After all, their wages are higher than those at the state enterprises. Last year Xie himself not only paid his taxes on time, but even contributed 60,000 yuan to the city charity fund and helped to equip a machine shop in a nearby school. Yet he still had enough money to support his family in comfort. "It turns out, the owner of a shop, although small, it nevertheless a capitalist?", I noted to my fellow traveller, a Chinese journalist. "It seems that way," was his reply. "Yet our country is at the beginning stage of socialism, and today it is very important for us that Xie and others like him help to 'close the gaps' in those economic sectors where the mighty, but often cumbersome, state enterprise does not have time to go".

Xi Liyuan has worked for over 20 years in the provincial buro of youth tourism, and for all these years his photograph has not come down from the honor board. Xi's responsibilities, it would seem, are not that difficult: To meet tourists at the train station, to help them load their baggage onto the bus, and to take them to the hotel. Yet even these responsibilities may be performed in different ways. Always smiling, neat and precise, Xi inevitably evokes a smile from guests. Recently he received a chauffeur's license, and, without demanding an increase in salary, began to combine his former duties with the work of a driver...

"Here, take a look: The article on Comrade Fu is the 'key' material in today's issue," says Wu Sanzhan, the editor-in-chief of the provincial newspaper NANFANG ZHIBAO. "This article shows that even a person who holds a humble position may become an example to others..."

We are talking with Wu Sanzhan in his office on the 20th floor of an ultramodern building which towers above one of the central regions of Guanzhou. Technical progress has not bypassed the newspaper industry of this large industrial and trade center in the south of China. At the disposal of the publishing concern, which includes NANFANG ZHIBAO, is computer technology and its own transport. Last year the profit of the concern which, aside from NANFANG ZHIBAO, also publishes a newspaper for peasants and an illustrated journal, comprised 23 million yuan—primarily from advertisements, which are abundantly placed by Chinese and especially by foreign companies.

"Our key task is to continually implement the political principles of the CPC Central Committee and the province partkom. The basic themes dominating our newspaper columns center around this. These are the struggle for ordering the economy and the development of reforms. Moreover, especially important today, these are also materials of an ideological character which are called upon to teach the people by positive experience and favorable examples."

He leafed through the newspaper file lying on the table.

"I have already told you about one of our heroes, Comrade Xi. And here is another named Fu. He is a barber and firm follower of Lei Feng, of whom you have probably already heard. Well, this Fu regularly hangs on the door of his establishment an announcement stating that on such-and- such a day he will give free haircuts and shaves to the poor residents of the quarter. Is this not an example for the young people who, having fallen under the influence of the rotten winds of bourgeois liberalization, kneel before the golden lamb?"

"Yet there are probably also negative facts in the province? Do you report on them?"

"Last year in the country altogether there were over 197,000 cases of serious violations of party discipline. Such things happen here as well. It happens that cadre workers are involved in corruption or illegally get housing, or hold banquets or take pleasure trips under the guise of 'going to the lower classes'. But is it wise to 'paint black on black' and to savor every such case in the newspapers whose circulation numbers in the millions? Is it not more proper to report such cases to the party aktiv as confidential information?"

In the course of my trip through China, I had occasion to become convinced that not all the managers of mass information media hold the same views as Wu Sanzhan. Yet something else is also well known: While today in the country there are 1,800 newspapers, 3,000 periodical

publications and 500 publishing houses, already in the near future their numbers will decrease by at least 9 percent. It is primarily the "harmful publications" which are being closed down, among which are those who "propagandize backward and reactionary views", violence and feudal vestiges.

What can we say in conclusion? Two years ago in China I heard almost no mention of the "Great Leader". Today his name resounds ever more frequently both from the official tribunes and from the pages of the newspapers. The evaluation of the role of the former Chinese leader is presented, specifically, by Wang Zhenzhi, head of the propaganda section of the CPC Central Committee in the "principle" article "On the Struggle Against Bourgeois Liberalization", published in February by the newspaper GUANGMIN ZHIBAO. I quote: "Yes, the errors allowed by Comrade Mao Zedong in his old age should be corrected. However, the Chinese revolution has come to victory under the leadership of the communist party headed by Comrade Mao Zedong, under the leadership of his ideas. And we should not, nor can we, overlook in time the great achievements of Comrade Mao Zedong for the party and the state in the sphere of national construction".

"Our reform is just taking its first steps. The load is heavy and the road is long. In moving ahead, we will encounter many twists in the road." These were the words spoken some time ago by the 85-year old leader of China, Deng Xiaoping, who is truly considered the architect of Chinese reform. Perhaps, it cannot be expressed more precisely...

PRC's Need for Economic, Political Stability Discussed

90UE0118A Moscow RABOCHAYA TRIBUNA in Russian 24, 25 Apr 90

[Article by S. Kulik, TASS political correspondent on special assignment for RABOCHAYA TRIBUNA (Beijing-Urumqi-Moscow): "China: The Search Continues"; passages in italics as published]

[24 Apr 90 p 3]

[Text] 1. Unity and Stability—Conditions of Success

After the memorable and stormy political events and the changes of personnel in the upper echelons of government, which seemed to reach their culminating point at the end of the 16-day NPC session in the beginning of April, the economy was once again the main concern of the people in Beijing and one of the leading topics in the capital press.

In the mornings, when hundreds of thousands of workers are racing to work on their bicycles, they see posters inscribed in huge characters: "We Have Restored Order and We Will Recover Our Losses." Toward evening, when the sun breaks through the frequent fogs and freezing

rams of this spring, there are lively discussions in the lanes and squares, where men have traditionally gathered to play cards or checkers, of the guidelines the parliamentarians approved for the further development of "gaige"—the Chinese equivalent of our perestroika.

To put it concisely, in the next 10 years the gross national product is to be doubled once again, and the people are to be guaranteed a "comfortable standard of living." In conversations with journalist colleagues, I have often heard that ever since the days of the Celestial Empire, there has been the assumption that a wise ruler is one who is guided by the knowledge that "his subjects must have full stomachs." With this in mind, people in the PRC feel, with good reason, that the positive development of the situation in the country and the prospects for achieving the politico-ideological objectives set by the new leadership will depend above all on successes in the economic sphere, especially with regard to food supplies.

There is no reason, however, to expect an easy victory. It is no coincidence that statements by the top party and government leaders of the country in recent months have suggested that the Chinese will have to "tighten their belts" for several years. And when can they "loosen" them? No one has announced any specific date, but there is the conviction that the "days of comfort" cannot even be anticipated unless there is an atmosphere of unity and stability throughout the country.

Of course, if we were to blame all of today's disparities in the Chinese society on the events of last June, we would be confusing the cause with the effect. We are more likely to agree with a statement in RENMIN RIBAO: "We must honestly and openly admit that the events in Tiananmen Square seriously compounded our problems. As a result of the reckless behavior of those who wanted to take advantage of temporary economic difficulties in the PRC to achieve their own political goals, problems arose in the economy."

The problems do not consist solely in the fact that cuts in the production of export goods caused the national economy to lose 100 million dollars a day during the time of crisis, and not solely in the fact that many Western companies, especially American ones, are still waiting to see what might happen next before agreeing to sign previously negotiated contracts on joint ventures and on the extension of credit to the PRC. It seems to me that the main problem is that the extremist outbursts weakened the position of the advocates of further radical reform.

The results of the recent NPC session suggest this. Although the NPC resolutions reaffirmed the commitment to the policy of reform and outside accessibility, they clearly testified to the reassessment of the inner content of this declared policy line. The once commonly used phrase about the "socialist planned commercial (market) economy" is gradually turning into the "planned economy with market regulation" in official documents and articles in the press. Statements by the

country's leaders put the emphasis on stronger levers of state regulation and the reinforcement of the kind of economic and administrative structures capable of conducting centralized policy effectively. In addition, the economy has been called "the main battlefield on which the visible struggle against bourgeois-liberalist ideals will be fought," primarily "economic privatization," "political pluralism," and "bourgeois liberalization"....

The wind blows scraps of newspaper and bits of fluff from flowering trees in surrounding parks through Tiananmen Square. "How could all of this have happened?"—I wonder as I walk along the warm asphalt in the square. After all, for a long time, a very long time, we thought of China as a country striding confidently down the level road of reform. The entire world was literally fascinated, and primarily by the fact that in 10 years of development along the "gaige" road, a country with a population of 1.1 billion had been able to solve its food problems. The "boom" in local industry changed the appearance of the Chinese economy. It moved its centers from the heavy industry, which had been the traditional leader, in the northeast and in big cities to the southeast, to previously insignificant communities along the coast, where light industry enterprises sprang up like mushrooms after the rain. As a result of their activity, the earlier "seller's market," where supply did not correspond to demand, turned into a "buyer's market," where the supply exceeds the demand and where a customer who has not been too spoiled can forget what a "shortage" is. Since 1981 the PRC had been known as the most rapidly developing country in the world, with economic growth rates—of around 11 percent a year on the average—two or three times as high as in the industrial Western nations. China moved up from ninth to seventh place in the world in terms of GNP. Its share of world trade doubled, and in cost terms it increased by 500 percent during a period when world trade as a whole increased by only 90 percent.

What did this mean to the "average statistical" Chinese? The real income of peasants almost tripled and that of the urban population almost doubled, and this was primarily a result of the move to a market-oriented economic model, which released the social energy of the people. They still cannot be called rich and they do not even dream of exchanging their bicycles for cars, but 10 million Chinese acquired tape recorders and 24 million bought television sets just last year. Ten years ago only 80 million people in the whole country could watch television, but now the figure is eight times as high.

The rising demand, backed up by material potential, and the rise in general cultural standards under the conditions of democratization led to what people in Beijing refer to today with the meaningful term "zefang sixiang"—the emancipation of the mind. This is why modern copies of Western fashions have taken the place of the high-collared and tightly buttoned navy-blue field jacket, and this is why the Chinese do not have to look

around to see if anyone is watching when they talk to foreigners and when they speak frankly with them about recently taboo subjects.

In spite of the tremendous successes, however, serious difficulties have also accumulated in the PRC. Without denying anything I said at the beginning of this article, I will repeat, along with RENMIN RIBAO, that "although China has managed to double its gross national product in the last 10 years, the country still occupies one of the last places in the world in terms of per capita GNP." Unless population growth can be controlled—and this is something that neither economic nor disciplinary levers have accomplished to date—the annual increase in goods and services will be unavoidably nullified by the demographic factor. Although the Chinese have been able to attain the seemingly unattainable in the last 10 years—to increase the yield of grain by almost 100 million tons—even official data indicate that more than 40 million people are living on the verge of starvation. In spite of the triumphant campaigns of the period of the "Great Leap Forward," one out of every five inhabitants of the PRC is still illiterate. In view of all this, the Chinese leaders still categorize the PRC as a developing country, warning that "only maximum effort can bring China up to the level of a midway-developed country by the end of this century."

[25 Apr 90 p 3]

[Text] 2. Resolution of Problems Worrying the People

"As many unsolved problems as successes"—this is how Chinese experts described the state of the PRC economy this spring.

The most disturbing problems are the continuously rising prices, which are "eating up" most of the average annual increase in wages, now amounting to 160 yuan.

What will this money buy? In an effort to find the answer, I took a walk through the gigantic bazaar forming the nucleus of present-day Urumqi. This capital of the Xinjiang-Uighur Autonomous Region, which occupies almost one-fifth of all China, grew up around the bazaar. A kilogram of mutton costs 12 yuan there, cabbage costs 3, and rice costs 5. A modest lunch in the market "snack bar" costs 10 yuan, and a person who wants to save up enough money for a bicycle—which is certainly not a luxury, but simply a means of transportation in China—has to deny himself everything but the vital necessities for half a year.

According to official data, the cost of 90 percent of the 2,000 items used to compile the retail price index has risen in recent years. It is this rise in prices, according to many people, that was the "economic detonator" of last year's social explosion. At that time the cost of many goods, especially those going into the "vegetable basket"—the basis of the Chinese diet—rose by 18-20 percent in a single month. With a view to the political dangers of this situation, the authorities did everything

within their power to stop this tendency. As a result, the rise in prices last year was 12-13 percent.

The "overheating" of the economy has been cited as the main cause of the rising cost of living in China. When the managers of industrial and trade enterprises and the millions of local businessmen and members of rural cooperatives achieved autonomy, they planned a whole series of projects requiring bank credit. By increasing the amount of money in circulation, banks could extend unlimited credit, and this gave rise to a flurry of purchases of construction materials, semimanufactured goods, and raw materials for the food industry. The economy was not prepared for this rapid rise in demand, however, and this naturally caused prices to rise. This was accompanied by higher rates of inflation, which reached 50 percent, setting a 40-year record, just before the events in Tiananmen Square.

"The people in the party and government who had been abusing their official status and were guilty of corruption raced to take advantage of this situation," I was told by Deputy Chairman Gan Ziyu of the PRC State Planning Committee, "and this aroused the anger of the masses. The public was also outraged by the unfair distribution of the resources created in recent years by the freeing of private initiative. There are some individuals with an extremely high income and there are the masses, the people who work hard but earn little. In addition to flourishing regions, there are other parts of China which have been officially declared poor districts. There are whole branches which are experiencing 'overcooling' even in the 'overheated' PRC economy: metallurgy, the chemical industry, power engineering, and transportation."

The development of all of these negative tendencies, compounded by the economic losses of those days last June, forced the Chinese leadership to rely once again on the levers of the centralized economy. The control of inflation is usually cited as the main positive result of their use, but what price did China have to pay for this? The struggle against the problems caused by spontaneous market factors with the methods of state planning and the attempt to "link" administrative levers with economic ones for the purpose of compelling the "overheated" economy to slow down have been accomplished by reducing capital construction by half, restricting the development of local industry, and using only half the capacities of large enterprises. According to a report in the *FINANCIAL TIMES*, for example, the stringent economic policy has already stopped production three times at the Volkswagen plant in Shanghai. The assembly line of the Peugeot firm near Guangzhou came to a halt, and the joint venture in Beijing with the American Motor Corporation reduced its output of Cherokee Jeeps. More than 18,000 industrial and construction projects have been "frozen" in the country. The Chinese press is not concealing the fact that the "cooling" of the economy in this way is reducing the real income and purchasing power of the population.

"When we decided to eliminate the unpredictable economic developments which provoked the events of 1989, we should have wondered whether we were also creating the causes of a new outburst," RENMIN RIBAO remarked with concern. "Of course, no one must ever resort to unlawful behavior to strengthen legality and order, but we should remember that economic recovery is impossible in an atmosphere of uncertainty, political confusion, and instability. If our political unity and cohesion are undermined, we could see a revival of the 'Cultural Revolution' which brought the Chinese people countless deprivations and suffering. We must admit that some errors made it impossible to disclose all of the advantages of socialism in the PRC. If China should choose to take the capitalist road, however, it will become a vassal of the developed Western nations. We must always remember that socialism has a powerful life force because it is not a stiff model, but an organism capable of self-development and self-improvement. Only the socialist order can secure the development of China. The resolute defense of socialism is inseparable from the resolute defense of the leadership of the Communist Party. Without the leadership of the CCP, the stability of government and the unity of the people cannot be secured in our country. Without a stable political environment and unity, we cannot build an economically strong China. The problems facing the country can only be solved in a stable society."

This article, which was written with a view to the policy statements of Chinese leaders, evoked a lively response in the country. It was read by several people at once, all crowded around the person holding the newspaper. People copied down the main statements, argued, and reach agreements right on the street, right at the newsstand. There were many different opinions, but most people agreed that political modernization was clearly lagging behind economic modernization in China. Communists, who are expected to make a personal contribution to the socialist recovery of the country and the reinforcement and improvement of the party's leading role, have an important part to play in this process, which was called the "perestroika of the political system" a year ago by General Secretary of the CCP Central Committee Jiang Zeming.

It raised the issue point-blank: "Our people, who lived through the '10 years of chaos,' were fully aware of the economic and cultural underdevelopment of the country and therefore had high hopes for the CCP's announced reforms in the PRC and the policy of accessibility to the outside world.... The alarming signs of the degradation of some party personnel, and especially of some leaders, however, led to a situation in which the people began to mistrust the party and the government," RENMIN RIBAO remarked. "If the party and government cannot rectify the situation within their own ranks quickly, the people's mistrust could rise to the surface again."

What is being done to implement these recommendations, which certainly did not appear on the pages of the

central organ of the CCP Central Committee by accident? Priority has been assigned to "the serious ideological and organizational regulation of the entire party," "the cultivation of patriotism and loyalty to the party cause in the masses," and the restructuring of academic curricula to produce "ideologically red and professionally competent" individuals. This is being accompanied by the continued implementation of the joint government and party central committee resolution "On the Completion of the Seven Great Tasks as Quickly as Possible" adopted last fall.

These are genuinely great tasks. Their completion could solve the problems worrying the people, who have had to tighten their own belts and are therefore all the more angry about the comfortable life their powerful "public servants" are living.

The first task—which has acquired the dimensions of a nationwide campaign against the "guandao," the corrupt leaders—is the implementation of the principle of the equality of all citizens under the law.

The decision of the PRC State Council to confiscate several magnificent buildings in Beijing and other cities, intended to house ministries and other official establishments, is seen as a step toward the completion of the "great tasks."

By embarking on this self-cleansing process, the CCP is setting an example for the entire country, pointing the way toward recovery and toward the restoration of socioeconomic order.

Obstacles to Soviet-Chinese Border Trade Seen

90UF0094A Moscow RABOCHAYA TRIBUNA in Russian 17 April 90 p 3

[Article by N. Belyy: "They Are Talking Russian in Qiqihar"]

[Text] What is obstructing the development of Soviet-Chinese border trade?

What comes from China is mostly complex, multipurpose equipment on a barter basis, and we pay for it with raw materials from our meager domestic assortment.

There is absolutely no sense of doing something special. That is strange, for we are traveling not simply along the border zone, but right on the line that divides two of the world's largest states, the USSR and China. Our eight-seat Toyota, filled with passengers, is moving slickly down the middle of the Amur, which is still covered by already-black ice. From the port of Poyarkovo, a fairly large city on the Middle Amur, you have to go some 20 kilometers upstream on the border river to the appropriate border crossing point.

Two winter roads have been beaten down through the ice ridges and drifts so that there is no problem passing the Chinese trucks coming in our direction at this morning hour. It is clear why you have a sense of peaceful

everyday life; it is from the civilian trucks, mainly ours, loaded with ordinary freight: lumber, fertilizer, building materials. It is not a border, but a working highway. The long bodies of the Chinese trucks are loaded to the top with bricks. It is an article, the people traveling with us in a jeep explain, that is quite unusual for deliveries from beyond the Amur. What comes from China is mostly complex, multipurpose equipment on a barter basis, including computers, medical equipment, and consumer goods, and we pay for it with raw materials from our meager domestic assortment. Or with chemical fertilizers, possibly the only finished product of industrial processing.

So what about this "unusual" article? It is all as simple as the brick itself. The local Poyarkovskoye Agroindustrial Association, in trouble because it did not have a construction base, concluded a contract with the Chinese to buy a brick plant. The partner, under the conditions of the contract, is building the plant in Poyarkovo with its own materials, using its own personnel, and installing its own equipment. In short, it will give the future owners the key to an enterprise which is invaluable in the district. And in exchange, that same fertilizer. Faithful to their contract obligations the neighbors were hauling the bricks, while a delegation from the association, including your correspondent, was traveling to the city of Qiqihar.

Finally we leave the river channel; we have made it to the community of Qike, where they are waiting for us. It is fairly heavily populated, as every place in China where people have settled is. Something like our rayon center, but the population is several tens of thousands. The first to meet us, at the ice's edge, is a border guard in a green coat with bright red insignia; he salutes sharply. It is still a long trip to Qiqihar, some 700 kilometers. We will do well to get there by midnight.

We got there in the dark, but it was toward the end of the next day.

Qiqihar is one of the economic and cultural centers of northeastern China. To us Russians it is also known because it was here, as well as nearby Harbin, that the remnants of the armies of Ataman Semenov and Baron Ungern came after the end of the civil war in the Far East. It was here that the emigres and refugees from Russia found their last shelter. Practically none of them are left today, although you can hear Russian spoken in the city, more and more often in recent times. Delegations such as ours are coming here, and direct border links are being established.

The Chinese, excellent entrepreneurs, offer practically everything that merchants from the USSR are interested in. If a company that is receiving "Soviet comrades" suddenly finds that it does not have the desired article on hand it will, as we say, "leave no stone unturned" and it will find the article, either by itself or through a middleman. The word "no" is not recognized in the Chinese vocabulary. A good knowledge of the market situation, the ability to evaluate what you are selling, and a talent

for bargaining, which are given to our Eastern neighbor by nature, plus constant searching for favorable deals on our side and official encouragement to expand profitable dealings—all this and more was the reason that the country last year received a healthy profit from border trade, setting up free economic zones. A decision has been made to broaden these zones and include new border cities and districts in them.

China has perestroyka too, but it sounds different—reform. It has lasted more than 10 years already, since the 3rd Plenum of the CPC Central Committee in late 1978. There is glasnost too, but they say it in their own way—transparency. The Chinese with whom I talked, including Sun Wu, leader of the neighboring district, and Comrade Ren Yi-die, told how, before the reform in China, they used a model borrowed from the Soviet Union. Now all forms of economic activity are encouraged, including individual activity, formation of joint stock companies, and joint enterprises. Profit is the main criterion. And also, incidentally, it plays a regulating role in market relations. They have created conditions to attract foreign investment. How did they begin? By building first-class hotels and modern roads and developing the whole market infrastructure.

After already returning to our side I talked with V. Mogilnik, general director of the Poyarkovskoye Association, who is very nonconformist in his thoughts and actions. Assessing the results of the deal he said:

"Our association is a cost accounting unit, but they are not letting us develop ourselves. Every step is under the control of the agricultural committee or the oblispolkom. Now we have bought this plant. We are paying with fertilizer, for which we have a license and which—thank God—they are still taking on the other side. People accuse me of squandering the foundations of fertility. We here in the local area are not trying to hurt ourselves; we know best what the peasant needs: is it bricks, as well as new social and cultural facilities and new production capacities, or these damned fertilizers, which we have always had plenty of and always will? Focus attention on people, or on chemistry which, if our people leave, is worth nothing by itself, and is even harmful! No, you can't explain this to the overbearing bureaucrat. Oh, he is so self-righteous!"

I listened to him and recalled a phone call to the RABOCHAYA TRIBUNA office shortly before my trip to China. V. Sushkov, general director of the commercial center of Amur Agroprom was calling. He asked me to attend talks with a Chinese delegation that had just arrived. "Way last year we concluded a big contract for delivery of expensive medical equipment to us," Sushkov said. "A multiprofile clinical hospital has been built in Blagoveschensk with the help of these same Chinese construction workers. Now we have the housings, but nothing to fill them with. The needed equipment lies on the other side of the Amur. Our partners fulfilled their part of the obligations. Now it is up to us, to pay. But our fertilizer licence, which is how we were

paying the Chinese, was suddenly taken away. I have no idea what to tell the Chinese."

In fact the talk was drawn-out and hard to follow, although the Soviet side provided competent interpretation. Our neighbors, who had brought the article ordered to the border, plainly could not understand what nationwide problems, to which their Russian partners referred, could have to do with this, a mutually advantageous contract between two companies. Who profits from such confusion, the Russians?

Moscow sends out contradictory directives to the Amur. Last November RSFSR Gosagroprom informed them that the USSR Council of Ministers had agreed with a proposal of the USSR Ministry of Foreign Economic Relations, USSR Gosplan, and the USSR Ministry of Finance and would permit, as an exception, enterprises of the agroindustrial complex to carry out counter shipments to the socialist countries of goods produced beyond the state order, control figures, and contract obligations. A month later a new order came, this one from Agrokhim, the successor to the USSR Ministry of Fertilizer. S. Dorokhin, deputy chairman of Agrokhim, who signed the document, declared that the effective term of all licenses would expire on 1 January 1990 and that decisions to issue new ones, specifically for fertilizer, would be made only for volumes envisioned for these purposes by the 1990 State Plan of Economic and Social Development. For this reason all contracts under which fertilizer deliveries carried over into the present year would have to be terminated. In February another warning arrived: stop all barter transactions in coastal and border trade based on direct links and contracts concluded on the basis of licences issued earlier by Agrokhim. This "information" was sent to all border stations; they were informed at the crossing points in Blagoveschensk and Poyarkovo.

I will not dispute that state regulation of foreign economic activity by enterprises is necessary; but really, why put our stumbling out in public view? What could be simpler than to order that no new contracts, regardless of whether there is a barter license or not, be signed as of a certain date? But perform contracts that are already signed.

But overall has there been profit from the lively foreign economic activity of enterprises, where the oblast has been successful in buying and selling, exporting and importing? I inquired about this at the Amur oblispolkom.

"We have imported much more at the present time," V. Pavlov, head of the department of foreign economic and municipality relations of the oblispolkom, answered evasively. "We remain indebted to our neighbors. However, we are not the only ones."

As they say, any comment would be superfluous.

Prospects for Improving Soviet-Chinese Trade Relations

90UF0106A Moscow *IZVESTIYA* in Russian,
22 Apr 90 Morning Edition p 5

[Article by Yu. Savenkov: "The USSR and China: A New Stage of Cooperation"]

[Text] **Business people very often ignore the politician's line. So it has been in Soviet-Chinese relations. Even in the first years of exhausting ideological polemics, political confrontations, and border conflicts, the fire of trade-economic ties was still flickering. However, the stronger our disagreements became, the more obvious the slump in business contacts. It is not easy to overcome past alienation now. But there simply is no other way, and both countries understand that. The 1980s played a special role in this regard too.**

A year ago, after the historical Soviet-Chinese summit meeting, contacts between our countries in trade-economic, scientific-technical, and other areas received new impetus. The visit to the Soviet Union of PRC [People's Republic of China] State Council Premier Li Peng should move our relations ahead even further, and neither Moscow nor Beijing conceals this.

In China the new stage of relations was given the forceful name: breakthrough. A program of scientific-technical cooperation has also been revived and ties between academies of sciences have been reestablished. An agreement on economic and technical cooperation in building and reconstructing industrial projects has been concluded. And, finally, there is a draft of a long-term program of trade-economic and scientific-technical cooperation till the year 2000.

As you see, long duration is becoming a feature of our more mature relations. Cooperation in the 1980s already has its history, its momentum, and its pluses and minuses. There has already been a small slump in 1987: we could not deliver certain goods ordered by Chinese organizations and in other cases the Chinese reduced their orders. The decline in prices on the world market also played its role. But last year Soviet-Chinese commodity turnover reached a record—2.4 billion rubles. The main items of Soviet export are power-engineering equipment, electric locomotives, freight cars, vehicles, planes, rolled ferrous and nonferrous metal products, pig iron, petroleum products, mineral fertilizers, and commercial lumber. Imports from the People's Republic are soybeans, corn, peanuts, meat products, fruit, cotton, and tea.

In China people view the prospects of our trade-economic cooperation in different ways. There are outright optimists who express the hope that this cooperation will return to the 1950s level and by the end of the century approach the scale of Chinese-American trade. There are not very many of them. Most have a more restrained evaluation of the situation and believe that the potential for expanding cooperation is very great;

they single out the problems which prevent growth. Here are the main ones. First, the currencies of the two countries are not mutually attractive, and that sometimes results in a situation where trade between them is in surplus goods which are not in demand. In order to stimulate enterprises to enter the Soviet market the Chinese government is introducing foreign trade subsidies, and that creates difficulties for the state budget. Secondly, barter commodity exchange can, of course, reduce currency expenditures, but this is a primitive method and it must be changed. There is one other minus in this trade: the partners at times shut their eyes to the quality of the goods. Many people support a gradual transition to cash transactions but without immediately throwing all barter deals overboard. Third, Chinese businessmen are at times not very interested in importing Soviet equipment. For the psychological barrier must be overcome, since during the years of the slump in our relations caution toward Soviet products became firmly rooted in the minds of Chinese businessmen. The journal YATAI QING-JI SHIBAO cites this amusing incident, for example: the flax mill in Harbin, which was built in the 1950s with Soviet aid, bought equipment from Western firms to reconstruct it recently, and it was later discovered that the equipment was made in the USSR. Many Chinese specialists are convinced that Soviet series industrial equipment fully meets the standard of Chinese industry.

How does Ye. P. Bavrin, the Soviet trade representative, evaluate the results of the past year and the prospects for this year?

"Because of a shortage of financial means in conditions of the present rigid credit policy," ponders Yevgeniy Pavlovich, "China requested that part of the deliveries of Soviet equipment on contracts already concluded be carried over. But that prevented the signing of new contracts, especially in the area of major projects where China was oriented to cooperative projects, mainly where preferential credit conditions were offered. There are other problems. Avtoeksport and the Lada firm significantly raised prices and friction arose. As a result fewer vehicles were sold, for the old disease is incurable—nonfulfillment of contract obligations. Eksportles (oh, that Ministry of Wood and Wood-Processing Industry!), expecting difficulties with deliveries of timber, avoided fixing delivery dates. And on top of this the situation on the railway has become more complicated. Incidentally, our organizations frequently carry deliveries over to the next year in order to avoid fines, and the mutual account balance suffers. Obviously, the suppliers themselves should pay for arbitrary carry-over of delivery dates—they should compensate the state's losses using their own currency deductions."

At times the causes are more complex. Fewer refrigerators were delivered. This was a problem with work on the Chinese side: the circuit cords used as components for Soviet refrigerators were sent late. In that case production cooperation did not work right. There is another problem. The quality of Soviet planes, some types of

power-engineering equipment, and some electric locomotives reduce their competitiveness on the market. Chinese goods are at times also not irreproachable. But we do not forget that the law on standardization of output went into effect a year ago. Incidentally, of the 14,000 national standards, 40 percent meet international standards. Recently another law began to operate which regulates the quality of export and import goods. Now, for example, Soviet refrigerators and vehicles can be imported into the country only with certificates.

The most promising sectors of cooperation are power engineering (for the first time an agreement was made on an AES [nuclear power plant] cooperating with VVER-1000 power units on the basis of state credit), ferrous and nonferrous metallurgy, the chemical industry, the textile industry, and transport (the credit offered to China stimulated the construction of a section of the Wusul-Alashankou Railroad, which completes the shortest rail route from Europe to China, through Kazakhstan).

Joint ventures are a new direction. Only the first steps have been taken here. For example, the technical-economic substantiation for building a flax combine in Baotou (Inner Mongolia) has been agreed upon and a similar enterprise is to be built in the province of Sichuan. Joint production of cellulose is proposed in the province of Heilongjiang and possibly on the Hainan Peninsula. Agriculture is becoming a field of joint enterprise: planting soybeans in the Soviet Far East and tea and coffee in southern China—in the province of Guangdong and the Hainan Peninsula.

Two years ago an agreement was signed between the governments of the USSR and China on developing direct trade-economic cooperation between various levels of Soviet organizations and the foreign trade companies of the provinces and cities of China. Border trade and direct ties, Ye. P. Bavrin summed up, have been reinforced by legislation.

What is a trade delegation's role in the new situation? It helps find new partners, conducts preliminary negotiations, and sometimes gives an expert evaluation of the materials prepared. It puts together information on the commercial potential of Chinese companies and on prices. According to the trade delegation's opinion, for example, agreements on joint ventures to produce thermoses in Alma-Ata and Tashkent were put together in an unprofessional manner. And a large number of our deliveries go to pay for light bulbs, which could be made in the USSR. One of the restrictive features is the lack of a precise mechanism for direct deals. The procedure for Soviet foreign trade associations to obtain permission to offer commercial credit to Chinese organizations is complicated, for example. In each case the government's permission is needed. Is that not an obstacle to direct ties?

Last year 81,300 Soviet citizens crossed the border of China. According to this indicator we are behind only Japan and the United States among foreign states. Those

who aspired to set up direct ties with Chinese firms made up a considerable number of them. Incidentally, in this connection the idea of the urgent need for consulting companies which would help find partners comes up more and more often.

One and one-half years ago fate brought me to Ye. M. Malitikov, chairman of the governing board of the Olimp Joint Stock Economic Association in Moscow. In Beijing he participated in organizing an exhibit of the achievements of Soviet science and technology and immediately attracted attention by his energy and hurled such a stream of technical information, ideas, and variants of partnership at me that my head began to spin. Later I received conflicting information on his activities. And then this spring I was in Beijing again. This time a partner was clearly identified—the Beijing Housing Construction Combine, one of the largest general contractors for the Asian Games in Beijing, whose motto is "Prestige and the client come first." This time he left with a whole packet of signed documents. Among the contracts was an agreement to set up a 25-year joint Soviet-Chinese company, Zhulin, whose status could be agreed upon in Moscow in May. Its tasks would include designing and constructing buildings, making and selling construction materials, providing consultations, providing trade services, dealing in electronic equipment, and the like.

Before Malitikov found this variant, there were many mistakes and failures, but otherwise he would not have come upon the right trail. Several mutual trips preceded the agreement. All the new partners were gradually recruited. The essence of the cooperation is that they have available labor and we need good housing built rapidly. Pure barter, one on one, has become outdated, says Malitikov: a comprehensive system or sequence is needed, as we have for exchanging apartments. In Moscow they propose to start with construction of the future company's building. There is another variant: Voronezh, a microrayon for airplane construction workers. The payment would be an airplane. Why a plane for a housing construction company? They have a transport company on the Hainan Peninsula. That is how the sequence works. Construction in Karaganda—payment in coal, in Kalinin—compensation with a woodworking shop and peat. Now ways to insure efficient delivery of compensation materials are being sought. There is still a great deal that is unknown here.

There are many curious details in this Chinese variant. For example, the construction workers bring with them Chinese spices, mushrooms, and other products they are used to. They are prepared to be involved not only with construction but vegetable raising as well, serving both themselves and the okrug.

But how does the Chinese housing construction combine evaluate cooperation with Olimp?

In speaking with Zhang Shaozhen, deputy manager of the construction department, Zhang said, "We have been acquainted with Malitikov's firm for more than a

year. We have evaluated his 'sequence.' Such flexibility is to our liking. Of course, it is best to receive hard currency. That is what we have done when we built in other countries (in Africa for the most part), but a system of accounts like the one with Malitikov is also possible. We get what we need. Of course, there will be quite a few bureaucratic obstacles. But we are optimists."

I will add that the question of licensing and accounts, everything that those who have risked changing to self-financing have encountered, will of course also come up.

But as for the participation of skilled Chinese construction workers in building projects on USSR territory (20,000 people are already working now, and the overwhelming majority of them are construction workers), China sees this as one of the reserves of the scenario for our cooperation.

I recall Premiere Li Peng's idea: "The economies of our states are mutually complementary; what you are lacking, we have in China, and what we are short of, you have in your country."

Afghan Revolution's Twelfth Anniversary Marked, Status Assessed

90UF01264 Moscow SOVETSKAYA ROSSIYA in Russian, 27 Apr 90 First Edition p 5

[Article by A. Pravov: "A Difficult Path—on the Anniversary of the April Revolution in Afghanistan"]

[Text] The current celebration on the occasion of the latest, 12th by count, anniversary of the April revolution in Afghanistan differs markedly from earlier ones. There has not been a military parade, no revolutionary red banners and slogans. Green, Islamic colors predominate in the outward look of the city. They mark the end of the month of Ramadan, a fast whose harsh prescriptions are observed by practically everyone in Afghanistan today. According to Muslim rules only soldiers at the front and travelers are not obligated to follow them. Services are being held in the mosques. Television shows the top representatives of the Kabul government, President Najibullah, Prime Minister Keshtmand, and State Security Minister Yaqubi, taking part in them. The heads of the PDPA [People's Democratic Party of Afghanistan] pray alongside leaders of other opposition parties, including purely Muslim parties, whose opposition activity has now been legalized in the country.

Everyone is observing Ramadan. Highly placed state and public figures that I talked with, offering a journalist the traditional tea and nuts, apologized that they could not share a meal—Ramadan does not allow it.

For example, Kabul Mayor Abdul Karim Missaq said, during our meeting, "We cannot violate popular traditions. We must respect them and follow them strictly."

Twelve years ago Missaq, still a young man, held the post of finance minister in the Taraki government. He now takes a very critical attitude toward his activity at that time and doubts many of the dogmas which, 12 years ago, he considered unshakable.

Najimuddin Qaviapi, the second man I met with, also takes a fairly critical attitude. He is now a member of the Politburo and a secretary of the PDPA Central Committee. Twelve years ago he was first secretary of the Kabul party gorkom. Like many party members, he spent some time behind bars during the rule of Hafizullah Amin.

"The primary mistake that the PDPA made immediately upon coming to power," Qaviapi says, "was attempting to leap over necessary stages of social development. The real state of affairs—the country's backwardness, the illiteracy of the population, and religious traditions—was not taken into account."

Indeed, the April events, which more and more are referred to not as a revolution but rather as an armed uprising, unquestionably were intended to bring the country to democracy and secure social progress. But as Qaviapi says, the people who put these ideas into practice gave little consideration to the fact that Afghanistan

was a country with one of the most backward socioeconomic structures. In per capita income it was 108th among 129 countries listed. Illiteracy was 92 percent among men, 95 among women. It was an agricultural country with a low level of productive forces and had vestiges of precapitalist, in some regions even pre-feudal, relations. Most of its food and consumer goods needs were met through import.

Under the complex conditions of the late 1970's, Missaq believes, the land and water reform was particularly harmful. It alienated a large part of the mass of peasants from the government and the PDPA and drove them into the opposition camp.

It has to be said that the national and religious traditions of the Afghans were handled quite intelligently in the primary opposition centers in Pakistan and Iran. They advanced slogans that were popular with the people. Every mistake by the Kabul government was greatly inflated. An anti-people and anti-Islam character was attributed to it. Therefore, after Soviet troops were introduced to Afghanistan in December 1979 it was not difficult for the opposition to arouse the peasant masses to a "jihad," a "holy war against the traitors and occupiers."

It seems to me that the policy of national reconciliation declared by the Kabul government 3.5 years ago was in large part called forth by the course of perestroika in the Soviet Union. More and more people today in Afghanistan and abroad are beginning to understand that there is no reasonable alternative to this policy.

But of course, the complex political reality of present-day Afghanistan should not be oversimplified. As Najimuddin Qaviapi tells, a mountain of weapons has been stockpiled in the country. The Kalashnikov automatic rifle today is by no means exclusively in the hands of soldiers of the armed forces. Anyone who wants to can buy one for a certain price. And the groups operating in some of the villages have armored personnel carriers and infantry vehicles at their disposal. In such conditions peace can only come when all tribal-clan, national, and social interests are taken into account. During the years of war the Afghans became too accustomed to deciding various issues by means of weapons. But at the same time everyone is tired of war. And this is a hopeful sign; it indicates that if representatives of all actually existing forces enter into the composition of local and central power peace may come.

The Najibullah government is intensely searching for the path to peace. It is steadily taking new initiatives. Thus, from the podium of the International Islamic Conference, held in Kabul in April, the president appealed to former King Zahir Shah and Mojadeddi, one of the leaders of the "Mojaheds," to join efforts in searching for paths to peace in Afghanistan. Like Moscow, Kabul is completely fulfilling all conditions of the Geneva agreements signed 2 years ago. This cannot be said of Islamabad and Washington. It is becoming increasingly

obvious that to the latter two parties, who did put their signatures to the agreements, their primary meaning was the withdrawal of Soviet troops from Afghanistan. Obviously they thought that without this mighty support the Kabul government would quickly fall. More than a year ago I ran into heated disputes among Western journalists living at the Intercontinental Hotel in the capital about the time it would take for "Mojahedd" detachments to storm the capital. Bets were taken: a week, two weeks, not more than a month. But the government troops have clearly shown the whole world their strength and ability to achieve military success. In the more than 14 months that have passed since the last Soviet soldier crossed

back over the Amu-Darya the opposition has not been able to win a single victory, not even a minor one.

There is one more very important thought which my sources, both Qaviani and Missaq, emphasized. It is absurd to think that the calendar in Afghanistan can be turned back to 26 April 1978. The changes that have occurred in the country in those years have given many strata of the population new social status. These changes are irreversible. And that is a reason to consider the events of 27 April 1978 to be of historic significance for the country.

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DATE FILMED

20 July 1990